

Annual Report 2015

Table of Contents

4	Introduction from the Chairman of the Board of Directors
6	Basic Non-consolidated Financial Figures
12	Profile of the Company
14	Governing Bodies
20	Organisational Structure of PPF banka a.s. at 31 December 2015
22	Report of the Board of Directors on PPF banka's Business Activity and Assets
23	— Characteristics of macroeconomic developments in the Czech Republic
25	— PPF banka's financial performance in 2015
26	— PPF banka's business activity in 2015
28	— Information technologies and security policy
28	— Human resources and personnel strategy
28	— Principles for the remuneration of the issuer's executives and Supervisory Board members
29	— Fees paid to auditors
29	— Public-benefit projects
29	— Other information
29	— Subsequent events
29	— Proposal for 2015 profit distribution
31	Independent Auditor's Report
33	Non-consolidated Financial Statements for the Year Ended 31 December 2015 according to Czech Accounting Standards (CAS)
78	Report on Relations for 2015
115	Basic Consolidated Financial Figures
117	Independent Auditor's Report
119	Consolidated Financial Statements for the Year Ended 31 December 2015 according to International Financial Reporting Standards (IFRS)
175	Data on Persons Responsible for the Annual Report and the Examination of Financial Statements
176	Contact Details

Introduction from the Chairman of the Board of Directors

Dear Shareholders, Clients, Partners and Colleagues,

The year 2015 was very successful for PPF banka, despite the complicated situation in the Czech banking market, struggling with low interest rates, growing competition, liquidity surpluses and reduced margins. PPF banka succeeded in generating the highest profit in all of its history, with net profit after tax of CZK 1,295 million, up CZK 595 million on 2014. This is good news for both shareholders: PPF and the City of Prague.

Significant financial indicators grew in 2015. The volume of loans provided to clients last year increased by 10% to CZK 25.8 billion and equity rose by more than a quarter to CZK 7,375 million. The return on equity (ROE) totalled 19%.

In 2015, PPF banka was heavily involved in transactions connected with the offering of shares in O2 Czech Republic and Česká telekomunikační infrastruktura (CETIN). The Bank organised and handled two public offerings of shares in O2 Czech Republic and two public offerings of shares in CETIN, as well as the payment of consideration for CETIN's shares acquired by the major shareholder during a squeeze-out. These transactions saw the Bank act as an intermediary in deals involving more than 50 million shares and 36,000 counter-parties.

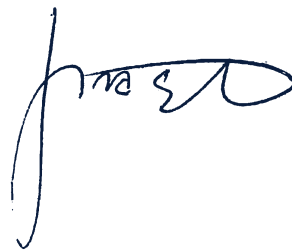
The Bank also continued to enhance the effectiveness of its internal processes by modifying its organisational structure to better reflect current market conditions and to be ready for future opportunities in banking markets. In addition, the Bank significantly improved the use of its database. PPF banka is now prepared for any changes expected in the banking market and for the future growth of the PPF Group.

While we continue to be an integral part of the PPF Group, we have also increasingly opened ourselves to entities outside the PPF Group that show an interest in marrying their business development with the top-quality services we provide.

I believe that PPF banka has strengthened its position as a trustworthy partner in the banking market who is able to meet its clients' requirements and wishes promptly and reliably.

I would like to thank, in particular, our employees for the great effort they put into their work, showing that PPF employs people who do their jobs with enthusiasm and are loyal to our group.

Prague, 7 April 2016



Petr Jirásko

Chairman of the Board and CEO of PPF banka a.s.

Basic Non-consolidated Financial Figures

(non-consolidated under Czech Accounting Standards)

Profit before tax development (CZK millions)

2009	1,036
2010	804
2011	758
2012	1,144
2013	784
2014	893
2015	1,583

Total assets development (CZK millions)

2009	43,256
2010	52,361
2011	65,718
2012	76,843
2013	104,818
2014	108,237
2015	103,084

Basic non-consolidated economic figures under Czech Accounting Standards (CAS)

MCZK	2015	2014
Assets		
Cash and balances with the central bank	31,952	27,429
Loans and advances to banks	4,632	16,255
Loans and advances to customers	25,807	23,461
Financial instruments	38,276	37,301
Ownership interests	57	57
Other assets	2,360	3,734
Total assets	103,084	108,237
Equity and Liabilities		
Deposits from banks	1,659	3,439
Deposits from customers	58,528	78,908
Debt securities issued	26,405	14,376
Subordinated liabilities	1,456	1,455
Capital issued	769	769
Other components of equity	6,606	5,125
Other liabilities	7,661	4,165
Total Equity and Liabilities	103,084	108,237
Income statement		
Net interest income	1,740	2,133
Net fee and commission income	253	280
Dividend income	2	0
Gain or loss from financial operations	482	(333)
Administrative expenses	(714)	(614)
Depreciation and amortisation	(32)	(47)
Write-off and impairment of loans and advances	(73)	(460)
Other income	1	2
Other expenses	(76)	(68)
Income tax expense	(288)	(193)
Profit or loss for the year	1,295	700
Basic ratio indicators		
Classified client loans / total client loans	31.99%	22.92%
Capital adequacy	14.85%	14.73%
ROAA	1.17%	0.66%
ROAE	19.05%	12.19%
Assets per employee (CZK millions)*	500	544
Administrative expenses per employee (CZK millions)*	3	3
Net profit per employee (CZK millions)*	6	4

* according to the CNB's methodology

Regulatory capital

The Bank's reconciliation between regulatory capital and equity as at 31 December 2015 and 31 December 2014 was as follows:

MCZK	Regulatory capital	Equity
At 31 December 2015		
Capital issued	769	769
Share premium	412	412
Retained earnings	4,402	5,697
Other comprehensive income	298	495
Other reserves	-	-
Less value adjustment due to requirements for prudent valuation	(48)	-
Less intangible assets	(53)	-
Tier 1 capital	5,780	
Total equity		7,373
Tier 2 capital		
Qualifying subordinated liabilities	1,390	
Total regulatory capital	7,170	
At 31 December 2014		
Issued capital	769	769
Share premium	412	412
Retained earnings	3,704	4,406
Other comprehensive income	-	307
Other reserves	-	-
Less value adjustment due to requirements for prudent valuation	(48)	-
Less intangible assets	(52)	-
Tier 1 capital	4,785	
Total Equity		5,894
Tier 2 capital		
Qualifying subordinated liabilities	1,388	
Total regulatory capital	6,173	

Capital adequacy ratios are as follows:

%	2015	2014
Equity capital adequacy ratio	11.97%	11.42%
Tier 1 capital adequacy ratio	11.97%	11.42%
Total capital adequacy ratio	14.85%	14.73%

Exposures and capital requirements for credit risk related to the following institutions:

MCZK	Exposure	Capital requirement
At 31 December 2015		
Central government	184	15
Local government	3	-
Institutions	3,856	309
Businesses	30,745	2,460
Retail sector	-	-
Exposures secured with properties	190	15
Exposures in default	212	17
High risk exposures	1,859	149
Collective investments	4	-
Equities	111	9
Other exposures	449	35
Total	37,613	3,009
At 31 December 2014		
Institutions	5,888	471
Businesses	18,908	1,513
Retail sector	-	-
Exposures secured with properties	104	8
Exposures in default	828	66
High risk exposures	4,192	335
Collective investments	7	1
Equities	555	44
Other exposures	488	39
Total	30,970	2,478

Capital requirements:

MCZK	2015	2014
Capital requirements for credit risk	3,009	2,478
Capital requirements for market risks	464	527
– for general interest rate risks of trading portfolio	375	508
– for general equity risks of trading portfolio	50	–
– for foreign exchange risks	39	19
Capital requirements for settlement risks	–	–
Capital requirements for operational risks	311	275
Capital requirements for credit valuation adjustment risk	79	72
Total	3,863	3,352

The regulatory agencies require each bank or banking group:

- a. to hold a minimum level of registered capital (MCZK 500), and
- b. to maintain a ratio of such capital to risk-weighted assets:
 1. an equity CET 1 capital ratio of at least 4.5%
 2. a Tier 1 capital ratio of at least 6%
 3. a total capital ratio (Tier 1 and Tier 2) of at least 8%

Profile of the Company

Basic characteristics of the Company

Company:	PPF banka a.s.
Legal form:	public limited company
Head office:	Evropská 2690/17, Praha 6, 160 41, Czech Republic
Company No.:	47116129
Registration:	Municipal Court in Prague, Section B, File 1834
Incorporation date:	31 December 1992

Date and method of establishment

PPF banka was established by a deed of incorporation of 3 December 1992 without a share subscription under the corporate name ROYAL BANKA CS, a.s. On 14 December 1994, the General Meeting decided on a change in the corporate name to První městská banka, a.s. and in the company's registered office, and on a one-off increase in registered capital, including a merger with Společnost pro založení První městské banky, a.s. with effect from 31 January 1995. On 23 June 2004, the Annual General Meeting of První městská banka, a.s. decided on a change in the corporate name to PPF banka, a.s. with effect from 1 September 2004.

Registered capital:	CZK 769 million
Equity:	CZK 7,374 million
Total assets:	CZK 103,082 million
Shares:	non-registered, ordinary, dematerialised shares maintained in the Central Securities Depository Prague

Note: Data at 31 December 2015

Objects of business

PPF banka's objects of business encompass all types of banking transactions, the provision of banking and financial services and related services both within the Czech Republic and in relation to other countries. The Bank targets Czech clients in the municipal and corporate segments in particular. The Bank specialises in trading on financial and capital markets to the extent stipulated by legal regulations and on the basis of licences granted by the Czech National Bank.

PPF banka is a member of:

Czech Banking Association;
Czech Institute of Internal Auditors;
Union of Banks and Insurance Companies;
Prague Economic Chamber;
Prague Stock Exchange;
Chamber for Economic Relations with the CIS.

Shareholder structure

PPF Group N.V.	92.96% (until 30 June 2015)
PPF Financial Holdings B.V.	92.96% (from 30 June 2015)
City of Prague	6.73%
Others	0.31%

Note: At 30 June 2015, shares representing 92.96% in PPF banka's voting rights were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

Precise web address of PPF banka's mandatory disclosures:
<http://www.ppfbanka.cz/cz/servis-pro-investory-a-analytiky/povinne-uverejnovane-informace/udaje-uverejnovane-ctvrtletne.html>

Governing Bodies

Board of Directors

Petr Jirásko

Chairman of the Board of Directors of PPF banka
since 14 October 2013

Chief Executive

Born in 1973. Petr Jirásko graduated from the University of Economics, Prague. During his university studies he was employed part-time at Budějovický Budvar, n. p., Investa Příbram a.s., Credit Lyonnais Bank Praha, a.s. and Tabák, a.s. In 1998, he started to work full-time for Credit Lyonnais Bank Praha, a.s. as an FX dealer. Between 2000 and 2002 he worked at Komerční banka, a.s. as an FX Option Dealer and later as the Head of the Derivatives Desk. He joined the PPF Group in 2002 – until 2004 he worked at PPF burzovní společnost (as a Bond Dealer and Chief Dealer), and from 2004 he worked at PPF banka, starting out as the Director of Financial Markets.

Jaroslava Studenovská

Member of the Board of Directors of PPF banka
since 16 April 2012

Director of Operations

Born in 1968. Jaroslava Studenovská graduated in General Economic Theory from the University of Economics, Prague. Between 1992 and 1998, she worked at Česká spořitelna a.s. in various investment banking positions, her last position being the Director of Back Office. Between 1999 and 2001, Jaroslava worked as the Director of Back Office at IPB/ČSOB a.s. From 1 July 2001 to 31 December 2005 she worked as the Director of Treasury at Raiffeisenbank a.s. Jaroslava has worked for PPF banka since 1 January 2006, initially as a Group Treasury Division specialist and then, from 1 May 2007, as the Director of the Operations Division.

Pavel Fuchs

Vice-Chairman of the Board of Directors of PPF banka
since 14 October 2013

Director of Risk Management

Born in 1974. Pavel Fuchs graduated in Financial Business from the Faculty of Economics and Administration, Masaryk University in Brno. He worked as a broker with various companies (including Stratego Invest a.s., J&T Securities (Czech Republic), s.r.o., and ABN AMRO Bank N.V.) from 1996. Between 1998 and 1999 he worked at the Czech Securities Commission. He became the Executive Director at PIF – 1. Privatizační investiční fond a.s. in 2001. Pavel has worked at the PPF Group since 2003. In 2006 he joined Česká pojišťovna as an adviser and then held various positions in the Generali PPF Holding (GPH) group. Prior to leaving the group in May 2013, he held the positions of Deputy Chief Executive Officer and a member of the Board of Directors of Česká pojišťovna, as well as that of Chief Investment Officer of GPH.

Supervisory Board

Ladislav Chvátal

Chairman of the Supervisory Board since 20 August 2015
(member of the Supervisory Board since 29 April 2015)

Born in 1963, Ladislav graduated from the University of Economics, Prague, majoring in Automated Control Systems in Economics. He joined the PPF Group in 1994. Within the PPF Group, he has held a number of key managerial positions. Between 1998 and 2007, he managed Home Credit Group's development and international expansion as its CEO while serving as PPF Group's Executive Director for Retail Banking and Consumer Finance with responsibility for the strategic management of eBanka a.s. and ČP Leasing a.s. Between 2009 and 2014, he was part of the management team at PPF Partners. Since 2011, he has been responsible for building and developing the RAV agricultural group in Russia. He is also chairman of the supervisory board of CETIN.

Petr Lachnit

Vice-Chairman of the Supervisory Board since 20 August 2015
2015 (member of the Supervisory Board since 29 April 2015)

Born in 1967, Petr graduated from the Faculty of Law in 1990 and then worked as a trainee lawyer until 1993. Having passed his bar examinations, he practised from 1994, specialising in commercial law and securities law. Since 2000, he has served as an arbitrator of the standing Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic. Between 1998 and 2002, Petr sat on the Commercial Law Commission of the Government's Legislative Council. Since 1997, he has been a member of the Czech Bar Association's Commercial Law Commission.

Tomáš Kaplan

Member of the Supervisory Board since 29 April 2015

Born in 1972, Tomáš graduated from Charles University's Faculty of Law, majoring in Law and Jurisprudence. In 1997, he interned at a law firm in Germany. Since graduating in 1997, he has been engaged in legal service provision. In 2001, he passed his bar examinations to become a lawyer registered with the Czech Bar Association. In his legal practice, he focuses on property law relations, financial law, public procurement law, law in commercial relationships, and insolvency law.

Bohuslav Samec

Member of the Supervisory Board since 16 January 2009

Born in 1959, Bohuslav Samec graduated from a two-semester Monetary Economics and Banking course at the University of Economics, Prague. Between 1985 and 1993, he held managerial positions in the service industry. Bohuslav has worked at the PPF Group in various managerial positions since 1994. He has served as a member of the board of directors of PPF burzovní společnost and a member of the supervisory board of Slezan Frýdek-Místek a.s. and Gramofonové závody, a.s. He currently works at the Corporate Governance Section of Česká pošta s.p. Bohuslav also served as a member of the supervisory board of PPF banka a.s. between 2006 and 2008.

Lenka Baramová

Member of the Supervisory Board since 7 January 2009

Born in 1965, Lenka Baramová graduated from the University of Economics and joined Komerční banka, a.s. (an SBČS branch at the time) in 1987. Between 1993 and 1994, she worked for the Credit Risk Department of ABN AMRO Bank N.V. in Prague. Between 1994 and 2000, she worked at Calyon (then known as Credit Lyonnais Bank Prague a.s.), initially in the Corporate Banking Department and then in Corporate Finance. Between 2000 and 2002, she worked for the consultancy firm Celestis Finance s.r.o. Since 2002, she has worked for PPF banka a.s. and is currently Director of the Structured Finance Department.

Martin Hýbl

Member of the Supervisory Board since 2 June 2011

Born in 1974, Martin Hýbl graduated from the Trade and Business Faculty of the Silesian University, Karviná, majoring in Business Economics. In 1998, he joined ČP Leasing a.s. and progressively held the positions of financial analyst, head of financial management, Chief Financial Officer and member of the Board of Directors. Between 2003 and 2005, he worked at the PPF Group in various financial management positions. Since 2005, he has been with PPF banka a.s., initially heading HC Treasury Department and currently the head of the Investment Services Department. He is not a member of the governing body of any other companies.

Audit Committee

Jitka Mašátová

Chairperson of the Audit Committee

Born in 1978. Graduated from the University of Economics, Prague, where she studied Monetary and Economic Politics at the Faculty of Finance and Accounting. While still studying, she joined the Banking Supervision Section of the Czech National Bank, where she worked in various positions for four years. Since 2005, she has worked for PPF a.s.'s Group Internal Audit Department, which she has headed since 2007. In 2011, she was a member of the supervisory board of SAZKA sázková kancelář, a.s.

Valdemar Linek

Vice-chairperson of the Audit Committee

Born in 1971. Graduated from the University of Economics, Prague, majoring in Business Economics and Accounting and in Corporate Financial Management. He has also completed a postgraduate two-semester course in Internationally Accepted Accounting Standards and is a certified balance sheet accountant. After graduating from the University of Economics, Prague, he joined audit firm HZ Praha, spol. s r.o. as an assistant auditor. Since 1997, he has been the Director of Auditors. Since 2003 he has been a member and partner in NEXIA AP a.s., where he specialises in statutory audit, economic, financial, accounting and tax advising, due diligence, forensic investigations, financial management analyses and other analytical activities.

Bohuslav Samec

Member of the Audit Committee

Born in 1959. Completed a two-semester course on Monetary Economics and Banking at the University of Economics, Prague. From 1985 to 1993, he worked in managerial positions in the service industry. In 1994, he joined the PPF Group, holding various managerial positions here. He was a member of the board of directors of PPF burzovní společnost a.s. for ten years, and was also a member of the supervisory boards of SLEZAN Frýdek-Místek a. s. and Gramofonové závody, a.s. He is currently working in the Corporate Governance Department of Česká pošta. Since 2009, he has been a member of the supervisory board of PPF banka a.s., having also held this position in 2006–2008.

Top Management

Petr Jirásko

Chief Executive Officer since 14 October 2013

Miroslav Hudec

Director of Financial Management since 1 January 2014

Pavel Fuchs

Director of Risk Management from 8 October 2013 to 31 December 2015. On 1 January 2016, Gabriela Mošovská became the Director of Risk Management

Břetislav Tichánek

Director of Export and Structured Finance from 1 September 2010 to 31 December 2015

Jaroslava Studenovská

Director of the Operations Division since 1 May 2007

Tomáš Janota

Director of IT since 1 August 2013

As of 1 January 2016 an organisational change was made – the Corporate Banking Division and the Export and Structured Finance Division ceased to exist and were replaced by the Sales Division. Igor Kottman became the Director of the Sales Division on 11 January 2016.

Karel Tregler

Head of the Financial Markets Division since 1 January 2014

Tomáš Hadžega

Director of Corporate Banking from 1 April 2012 to 31 December 2015

Organisational Structure of PPF banka a.s.

As at 31 December 2015

Supervisory Board	Audit Committee		
Board of Directors	003 Compliance		
Chief Executive Officer	004 Internal Audit		
010 Office of CEO and HR			
030 Concierge			
040 Legal			
090 Management of Projects			
200 Financial Controlling	300 Financial Markets	400 Corporate Banking	500 IT
210 Accounting	320 Trading	460 Corporate Banking	520 IT Infrastructure
240 Controlling and Regulatory Reporting	330 Corporate and Municipal Clients Sales	490 Company Private Banking	530 Application
	340 Treasury		531 IT Helpdesk
	350 Institutional and Corporate Banking Services		
	360 Investment Strategies and Analysis		
	370 Institutional Client Sales		
	380 Private Banking		
	390 Municipal Banking		

<p>600 Operations</p> <p>610 Client Banking Services</p> <p>620 Management of Payment Services</p> <p>640 Payments</p> <p>650 Back Office – Finance Markets</p> <p>651 Back Office – Money Markets</p> <p>652 Back Office – Capital Markets</p> <p>653 Middle Office</p> <p>660 Credit Administration</p> <p>670 Custody</p> <p>690 Electronic Payment Systems</p>	<p>700 Risk Management</p> <p>710 Market Risk Management</p> <p>720 Credit Risk Management</p> <p>730 Work-out</p> <p>750 Loan Maintenance and Monitoring</p> <p>760 Business Continuity Management (BISO)</p>	<p>3000 Export and Structured Financing</p> <p>3010 Export Financing</p> <p>3020 Structured Financing</p> <p>3030 Corporate Financing</p>
---	---	--

Report of the Board of Directors on PPF banka's Business Activity and Assets

Characteristics of macroeconomic developments in the Czech Republic

In 2015, the Czech Republic was – alongside Ireland, Malta and Luxembourg – the most rapidly growing economy in Europe, achieving 4.4% growth. Its fast economic growth was driven both by the household consumption recovery (1.3%)¹ on the back of wage increases (with real wages climbing 3.4% in the third quarter) and sound economic sentiment, and by increased investment (in the third quarter of 2015, investments contributed 2.2% to growth) and inventories. An enduringly positive contribution to growth was also reported by government consumption. The contributions of net exports, overall slightly negative (approximately -0.3%), reflected the parallel surge in exports and imports. For the sake of completeness, it should be added that the major GDP growth was influenced to a certain extent by one-off factors – in particular the final drawdown of investments from EU funds for the 2007–2013 period, as all financial means here had to be disbursed to the end of 2015. However, even without this final drawdown, there was still appreciable growth, attributable in particular to strong domestic demand. We estimate that the fund drawdown made a 1–1.5% contribution to growth.

As for supply, manufacturing – and especially the automotive industry – continued to lead the way, accounting for about one quarter of industry as a whole. The Czech economy is heavily dependent on the automotive industry as it exports 80% of production; foreign demand is very important. Surveys point to continuing strong demand for automobiles in Europe, where most exports are headed. The fact that growth is visible in the rest of economy too, especially in the service segment, is a positive factor. This shows that growth has become more balanced on the supply side and has been fuelled by virtually all sectors.

The pronounced economic growth has naturally influenced the job market. The unemployment rate gradually decreased in 2015, ending the year at 5.9%. The employment rate also grew to stand at 70.7% in the 15-to-64-year-old bracket of employees, 1.1% more than in the same period of the previous year. The accelerated hike in demand for labour, despite the decrease in unemployment, resulted in vacancies breaking through the hundred-thousand mark, almost double the number reported in 2014.

Despite the sharp economic growth, inflation pressures remain very gentle. In 2015, consumer prices increased by an average of 0.3%, well below the 2% inflation target and short of the Czech National Bank's forecasts. Low growth in consumer prices was influenced, in particular, by the falling prices of commodities and food. However, if we ignore those traditionally volatile elements beyond the Czech National Bank's reach, inflation pressures were obviously very low in the Czech Republic for a second year. Corrected inflation net of fuels hovered just above 1% the entire year. This phenomenon was underscored both by keen competition, holding prices down even in the face of robust domestic demand, and by deflation pressures imported by the small Czech open economy (exports and imports account for 84% and 78% of GDP, respectively) from Europe in particular.

¹Detailed data for the last quarter of 2015 have not been released yet.

The Czech National Bank (CNB) continued to grapple with low inflation in 2015. Interest rates were kept at technical zero (0.05%) throughout the year and the CNB employed a system of interventions devised to prevent the Czech crown from strengthening to a level under 27 CZK per EUR. This commitment necessitated an outlay of CZK 243 billion on interventions by the CNB in 2015. Consequently, this – together with the inflow of euro from European funds, also channelled via the CNB so as not to exert appreciation pressure on the Czech crown – swelled foreign exchange reserves to EUR 59 billion. This increase in foreign exchange reserves is considerable, as the volume amounts to 37% of GDP. However, this is considerably less than in Switzerland (80% of GDP), where the central bank was suddenly forced to abandon its intervention plans. The CNB has undertaken “not to terminate the use of the exchange rate as a currency policy tool before 2017”. A relaxed currency policy has not influenced inflation too much, but really set credit momentum rolling. In August, loans to non-financial enterprises increased year on year by almost 10%.

The fiscal situation remains good. The state debt relative to GDP contracted to 37.2%, with the Czech Republic remaining one of the least indebted countries in the European Union. In 2015, the Czech Republic had no problem in fulfilling the Maastricht budget criteria. The state budget deficit amounted to CZK 62.8 billion, which is 15 billion less than the previous year and 37 billion less than the planned deficit. It is the best result since 2008. Expressed as a percentage of GDP, the budget deficit amounted to 1.5% of GDP.

The sound good fiscal situation, high growth and, especially, low rates close to zero both in Europe and in the US kept government bond yields at their lowest ever levels, with yields of government bonds due within six years even slipping into adverse values. The Finance Ministry capitalised on this phenomenon to auction short-term bonds in particular.

PPF banka's financial performance in 2015

PPF banka's net income continued to expand significantly last year. In 2015, total assets dipped by CZK 5.1 billion to CZK 103 billion. In 2015, net income totalled CZK 1,295 million, an increase by CZK 595 million compared with 2014.

Net interest income decreased 18% year on year to CZK 1,740 million. The fall was evenly sided in relation to both interest income and interest expense and can be attributed to interest rate trends. Net fee and commission income contracted by 10% to CZK 253 million in 2015. PPF banka reported a gain from financial operations of CZK 482 million in 2015. The growth compared to 2014 is built on the significant result in securities trading and has also been positively influenced by the hedging of interest income.

The total net income from financial operations (excluding the cost of provisions for loans granted) was CZK 400 million more than in 2014 and amounted to CZK 2.4 billion.

The level of administrative expenses reported in 2014 was exceeded by 16% in 2015 due to the application of a limit on the tax deductible provision of gifts and an increase in personnel expenses. The share of administrative expenses in the Bank's net revenues (excluding the cost of provisions) slipped to 29%, compared to 30% in 2014.

Non-performing loans stood at CZK 4.6 billion, an increase by CZK 628 million compared with 2014. The current ratio value of non-performing loans is in excess of 17%. Nevertheless, this is not a true marker of the risk assumed by PPF banka as the category of non-performing loans contains a high volume of loans covered by EGAP insurance. For the purposes of calculating the non-performing loan ratio, gross exposure to clients is calculated and EGAP insurance is disregarded. Following the adjustment of the non-performing loan volume to include EGAP insurance (with non-performing loans insured by EGAP, the insurance value is deducted from the gross exposure), the ratio of non-performing loans to total loans granted is 5.4% (including repo trade). This means that the real credit portfolio risk is much lower and is safely below the upper limit determined in the risk appetite.

In 2015, PPF banka made a profit before tax of CZK 1,583 million, up CZK 689 million on 2014. Last year, PPF banka paid CZK 288 million in income taxes.

Receivables from clients rose 10% year on year to CZK 25.8 million, accounting for 25% of total assets. In 2015, the volume of both corporate and structured and export financing grew.

Cash and cash balances with central banks came to CZK 31.9 billion in 2015, compared with CZK 27.4 billion in 2014. Receivables from banks decreased to CZK 4.6 billion from CZK 16.3 billion at the end of 2014.

Deposits from clients continued to be the primary source of financing. The volume of resources in client accounts shrank to CZK 59 billion in connection with the management of level of liabilities of the year end 2015. The increase in payables for debt securities, compared with the end of 2014, was influenced in particular by deposit bills of exchange. Investment certificates were down CZK 1 billion to CZK 1.5 billion compared with the end of 2014. Payables for short sales increased by CZK 2 billion to CZK 7.5 billion compared with 2014.

The return on equity (ROE) amounted to 19.05% in 2015, with the return on average assets (ROAA) coming in at 1.17%. The total capital adequacy stood at 14.85% at 31 December 2015.

In 2015, PPF banka moved forward with its charity projects and views social responsibility as one of its fundamental values.

PPF banka's business activity in 2015

PPF banka's activity in financial markets

Last year, PPF banka was an active player in financial and capital markets and in most areas it successfully extended the scope of services provided and increased its trading volumes.

In securities trading, PPF banka was an active bond market maker. In 2015, it acted as a leading primary dealer of Czech government bonds. In this area, PPF banka placed third in a summary evaluation by the Czech Ministry of Finance. (PPF banka was also ranked fourth in primary market transactions and third in the secondary market.) In addition to government bonds, PPF banka as a market maker also quotes selected corporate bond issues in the Bloomberg system and on other trading platforms.

Overview of PPF banka's securities trading volumes:

CZK billions	2015	2014	2013
Domestic bonds	161.5	153.2	204.7
Foreign bonds	19.4	77.5	78.6
Total bonds	180.9	230.8	283.3
Domestic equities	0.9	0.7	6.4
Foreign equities	4.0	21.7	33.3
Total equities	4.9	22.4	39.7
Total	185.8	253.2	323.0

In 2015, PPF banka provided comprehensive services on the capital markets. It managed (as an agent) the repurchase of shares of O2 Czech Republic a.s. within the framework of two voluntary repurchases in the equity market. PPF banka played a similar role in three repurchases of shares in Česká telekomunikační infrastruktura a.s. In corporate bonds, PPF banka managed (as a deal manager) a tender for the repurchase of bonds of Home Credit & Finance Bank.

PPF banka continued to keep its activity at a level comparable with previous years in the foreign exchange market and executed transactions equivalent to CZK 178 billion (spot) and CZK 425 billion (currency financial derivatives). The distribution and timing of the volume of transactions on the foreign exchange market is shown in the table below.

CZK billions	2015	2014	2013
FX spot	178.5	173.0	185.1
FX derivatives	425.3	469.3	364.7
Total	603.8	642.3	549.8

In interest rate financial derivatives, PPF banka trades in both interbank and client interest hedging and is successfully expanding its volume of transactions, as depicted in the table below.

CZK billions	2015	2014	2013
IR derivatives	26.0	14.6	2.8

Public sector

In 2015, PPF banka deepened its cooperation with public sector clients and sought out new opportunities for them, especially in specific banking products meeting the various needs of the individual entities. Municipal clients again showed that their demands are high, with a particular penchant for tailor-made products, including requirements relating to the immediate liquidity of finances.

The highly customised, stable and comprehensive services provided by the PPF financial group, hand in glove with extremely specialised bankers and newly devised products, are writing a new chapter in public sector strategy, which will gradually be rolled out en masse from 2016.

For several years, the highly specialised Churches Desk has been serving the broad group of clients in this segment, which is slowly advancing from simple banking products to the notion of periodic investment and is looking for new opportunities in the world of financial markets.

In the forthcoming year, PPF banka intends to further introduce its new public sector strategy to the market with a view to delivering high quality services meeting the need for modern, flexible and highly specialised private banking for public sector clients.

Corporate banking

In 2015, Corporate Banking consolidated relations with key clients in segments in which PPF banka has long specialised – in particular energy projects both in the Czech Republic and abroad, engineering, and foreign trade. PPF banka also continued to explore new attractive business in real estate, the share of which has significantly driven forward its portfolio's growth and stability. The Bank currently pays great attention to maintaining the high quality of its credit portfolio.

Export and structured finance

In 2015, PPF banka continued to provide services in export and structured finance to clients in the Czech Republic, in countries from the Commonwealth of Independent States ("CIS") and in Central and Eastern Europe. New business was fostered not only in the Czech Republic, but also – and in particular – in Central and East European countries and in the Balkans. The Bank also provides services to Czech exporters and helps to finance the projects and acquisitions of Czech and foreign investors.

Private banking for corporate and individual clients

In 2015, the Private Banking Department for Corporate Clients provided specialised services to both small and medium-sized enterprises and individuals who are members of such enterprises' management bodies.

In 2015, the Private Banking Department posted more or less the same results as in the previous year, which can be considered a success in view of the strategic and procedural changes within the Bank and its preparations for further business growth in forthcoming years. Its commercial focus adheres to its original values: knowledge of clients, an individualised approach and the offer of tailor-made solutions.

Private banking for individuals is an integral part of the services offered by PPF banka to the most demanding private clients. In 2015, the Bank again reported growth in key figures and the number of satisfied clients. Its experienced private bankers introduced several unique products which quickly made their mark in the highly competent market and thus enhanced PPF banka's position.

PPF banka continues to follow a long-term strategy geared towards an individualised approach and the fostering of mutual confidence and client satisfaction. As client interest in our products grows, we feel compelled to explore new avenues to provide a wide range of services and products of the highest possible quality.

Information technologies and security policy

In information and telecommunication technologies, 2015 was a year in which we consolidated internal know-how in the administration of Lotus Notes, Windows and the operation of the network infrastructure. At the same time, in 2015 the Bank championed the significance of project management in the organisation of changes in processes and supporting information systems. In compliance with its IT strategy, PPF banka continued to enhance standards in its individual process types.

In 2015, PPF banka made headway in its key project of replacing the system for recording client information and products. The project should go live during 2016. In the third quarter, the SEPA project was launched so that the Bank would comply with legislative requirements imposed on payment service mediators within the single European Economic Area in 2016.

In DWH, PPF banka extended the data resources processed to include financial market products and thus almost all of PPF banka's products are now systematically processed in DWH.

As for project activities launched in 2014, the Bank successfully implemented an AML project replacing internal solutions with a standardised tool used by many banking institutions. The Bank's other projects include newly implemented solutions for coordination with public bodies, data boxes, and communication with the land registry and the insolvency register.

In IT infrastructure, we introduced a new generation of data repository technologies. At the end of the year, the Bank began to work on plans to redesign the operation of the back-up data centre and data services.

In information system security, PPF banka has taken action to strengthen the use of elements reinforcing the protection of IS technologies in the everyday operation of its IT processes, making it possible to respond more readily to newly identified IS vulnerabilities.

In line with the requirements of European banking authorities, the Bank took measures to eliminate any risk of internet payment abuse.

Human resources and personnel strategy

In human resources management, the Bank continues to forge ahead in the pursuit of its own plans and objectives, as well as the overall strategy of the PPF Group, of which it is a member.

We place an emphasis on open communication at all levels, trust among employees, and professional corporate culture. The Bank considers such issues to be important elements influencing its employees' performance.

In 2015, the Bank continued to be a highly attractive employer for job-seekers. The recruitment process is designed to select potential employees who will help to keep PPF banka dynamic and successful with their pro-active approach.

We also give opportunities to young graduates who lack experience and try to involve them in the working process as effectively as possible.

We are keeping to our efforts to motivate employees to work efficiently, be loyal and forge a team spirit – all this through a system of benefits and bonuses and by observing equal opportunity principles.

In 2015, the average number of employees was 206; the head count at 31 December was 210.

Principles for the remuneration of the issuer's executives and Supervisory Board members

Remuneration principles are set in compliance with relevant legal regulations. They have been determined by the Board of Directors and approved by the Supervisory Board. PPF banka's performance and links to possible risks were taken into account when they were being defined. The observance of these principles is examined annually by the Internal Audit Department, which reports its results to the Supervisory Board and the Board of Directors.

For 2015, only approved cash remuneration was paid and no in-kind income was provided.

Fees paid to auditors

Fees paid to the external auditor for services provided in 2015 amounted to CZK 6 million (2014: CZK 6 million). All external auditor services were related to the examination of the financial statements, the Annual Report, background materials for consolidation and the MiFID report.

Public-benefit projects

Last year, PPF banka donated a significant sum of money to THE KELLNER FAMILY FOUNDATION. Funds were used, for example, to support long-term education projects for underprivileged pupils and students, scientific advances in medicine and biotechnology, and other public-benefit activities that the Foundation has been supporting since 2009.

The Bank is also a traditional financial supporter of the theatre Žižkovské divadlo Jára Cimrmana and the Summer Shakespeare Festival, held at Prague Castle and in other Czech and Slovak towns and cities every year.

Last but not least, the Bank has also been sponsoring the Bilingual Nursery School for the Hearing Impaired.

Other information

In 2015 and 2014, the Bank incurred no expense in relation to research and development or environmental protection.

The Company has no organisational units abroad.

Subsequent events

There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the Annual Report or notes thereto.

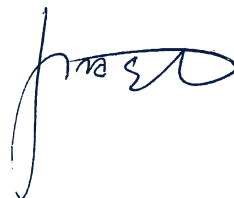
Proposal for 2015 profit distribution

PPF banka's performance in 2015 ended up with an after-tax profit of CZK 1,294,600,806.88.

PPF banka's Board of Directors proposes distributing the profit as follows:

transfer to the social fund	CZK 2,000,000.00
transfer to retained earnings	CZK 1,292,600,806.88

Prague, 17 March 2016



Petr Jirásko

Chairman of the Board of Directors of PPF banka a.s.



Pavel Fuchs

Vice-Chairman of the Board of Directors of PPF banka a.s.

Financial Section

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of PPF banka a.s.

We have audited the accompanying financial statements of PPF banka a.s., prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2015, the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements, including a summary of significant accounting policies and other explanatory notes. Information about PPF banka a.s. is set out in Note 1 to these financial statements.

Governing Body's Responsibility for the Financial Statements

The governing body of PPF banka a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the governing body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PPF banka a.s. as at 31 December 2015 and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Other Information

Other information is defined as information (other than the financial statements and our auditor's report) included in the annual report. The governing body is responsible for other information.

PPF banka a.s. has not prepared an annual report as at 31 December 2015 as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on other information.

Prague, 11 April 2016



KPMG Česká republika Audit, s.r.o.
Registration number 71



Jindřich Vašina
Partner
Registration number 2059

Non-consolidated Financial Statements

for the Year Ended 31 December 2015 according to Czech Accounting Standards (CAS)

Balance Sheet

as at 31 December 2015 (translated from the Czech original)

MCZK	Note	31.12.2015	31.12.2014
ASSETS			
1		31,952	27,429
2	14	26,253	26,206
		26,253	26,206
3	12	4,632	16,255
		1,181	382
		3,451	15,873
4	13	25,807	23,461
		25,807	23,461
5	15	11,654	10,533
		11,654	10,533
6	16	369	562
8	17	57	57
9	18	53	52
10	19	30	26
11	20	2,253	3,631
13		24	25
Total assets		103,084	108,237

Balance Sheet

as at 31 December 2015

MCZK	Note	31.12.2015	31.12.2014	
LIABILITIES				
1	Payables to banks and credit unions	21	1,659	3,439
	of which: a) repayable on demand		368	877
	b) other payables		1,291	2,562
2	Payables to customers – credit union members	22	58,528	78,908
	of which: a) repayable on demand		41,202	57,296
	b) other payables		17,326	21,612
3	Payables from debt securities	23	26,405	14,376
	of which: a) debt securities issued		19,552	8,793
	b) other payables from debt securities		6,853	5,583
4	Other liabilities	25	7,466	4,108
5	Deferred income and accrued expenses		29	29
6	Provisions		166	28
	of which: b) provision for taxes		109	-
7	Subordinated liabilities	24	1,456	1,455
8	Registered capital	26	769	769
	of which: a) paid-up registered capital		769	769
9	Share premium	26	412	412
10	Reserve funds and other funds from profit		2	2
	of which: c) other funds from profit		2	2
13	Revaluation gains (losses)	30	495	307
	of which: a) on assets and liabilities		495	307
14	Retained profits (or accumulated losses)	29	4,402	3,704
15	Profit (loss) for the accounting period	29	1,295	700
Total liabilities			103,084	108,237

MCZK	Note	31.12.2015	31.12.2014	
OFF-BALANCE SHEET ITEMS				
Off-balance sheet assets				
1	Commitments and guarantees provided	32	10,950	11,008
3	Receivables from spot transactions		3,844	1,137
4	Receivables from fixed term transactions	32	173,089	88,568
5	Receivables from options	32	1,277	1,152
Off-balance sheet liabilities				
9	Commitments and guarantees received		6,735	7,080
10	Collateral and pledges received		14,764	15,889
11	Liabilities from spot transactions		3,844	1,134
12	Liabilities from fixed term transactions	32	172,725	86,906
13	Liabilities from options	32	1,277	1,152
14	Values taken into custody, administration and deposit	33	158,516	101,841

Income Statement

for the year ended 31 December 2015 (translated from the Czech original)

MCZK	Note	2015	2014
1 Interest income and similar income	4	2,365	2,866
of which: interest on debt securities		868	755
2 Interest expense and similar expense	4	(625)	(733)
of which: interest on debt securities		(416)	(400)
3 Income from shares and ownership interests		2	-
of which: c) other income from shares and ownership interests		2	-
4 Commission and fee income	5	303	336
5 Commission and fee expense	5	(50)	(56)
6 Gain or loss from financial operations	6	482	(333)
7 Other operating income	7	1	2
8 Other operating expenses	7	(76)	(68)
9 Administrative expenses	8	(714)	(614)
of which: a) employee expenses		(303)	(271)
of which: aa) wages and salaries		(237)	(210)
ab) social and health insurance		(66)	(61)
b) other administrative expenses		(411)	(343)
11 Depreciation, additions and utilisation of provisions and adjustments to tangible and intangible fixed assets	18, 19	(32)	(47)
12 Release of adjustments and provisions to receivables and guarantees, income from written-off receivables	30d	571	249
13 Write-offs, additions and use of adjustments and provisions to receivables and guarantees	30e	(644)	(709)
19 Current year profit (loss) from ordinary activities before tax		1,583	893
23 Income tax		(288)	(193)
24 Net profit (loss) for the period		1,295	700

Statement of Changes of Equity

for the year ended 31 December 2015 (translated from the Czech original)

MCZK	Registered capital	Share premium	Reserve funds	Capital funds	Revaluation gains (losses)	Profit (loss)	Total
Balance at 1.1.2014	769	412	154	2	243	3,552	5,132
FX gains (losses) and revaluation gains (losses) not included in profit or loss	-	-	-	-	64	-	64
Net profit (loss) for the period	-	-	-	-	-	700	700
Transfers to funds	-	-	-	2	-	152	154
Utilisation of funds	-	-	(154)	(2)	-	-	(156)
Balance at 31.12.2014	769	412	-	2	307	4,404	5,894
Balance at 1.1.2015	769	412	-	2	307	4,404	5,894
FX gains (losses) and revaluation gains (losses) not included in profit or loss	-	-	-	-	188	-	188
Net profit (loss) for the period	-	-	-	-	-	1,295	1,295
Transfers to funds	-	-	-	2	-	(2)	-
Utilisation of funds	-	-	-	(2)	-	-	(2)
Balance at 31.12.2015	769	412	-	2	495	5,697	7,375

Notes to the Czech Statutory Financial Statements

For the year ended 31 December 2015
(translated from the Czech original)

1. General information

(a) Description of the Bank

Establishment and description of the Bank

PPF banka a.s. (“the Bank”) was established on 31 January 1995 as the successor to the former ROYAL BANKA CS (operating on the market from 3 December 1992). The general meeting of shareholders held on 14 December 1994 decided to change the corporate name to První městská banka, a.s. effective from 31 January 1995. On 23 June 2004 the shareholders of the Bank decided to change the name of První městská banka, a.s. to PPF banka a.s. The change of name to PPF banka a.s. was recorded in the Commercial Register on 1 September 2004.

The principal activities of the Bank are corporate and investment banking.

Company name and registered office

PPF banka a.s.
Evropská 2690/17
160 41 Praha 6
Czech Republic

Identification number

471 16 129

Members of the Board of Directors and Supervisory Board of the Bank as at 31 December 2015

Members of the Board of Directors

Petr Jirásko (chairman)
Pavel Fuchs (vice-chairman)
Jaroslava Studenovská

Members of the Supervisory Board

Ladislav Chvátal (chairman)
Petr Lachnit (vice-chairman)
Tomáš Kaplan
Martin Hýbl
Lenka Baramová
Bohuslav Samec

Changes in the Commercial Register

The Supervisory Board membership of Martin Dlouhý, Martin Štefunko and Miroslav Tutter was terminated on 28 April 2015. On 29 April 2015, Ladislav Chvátal, Petr Lachnit and Tomáš Kaplan were appointed as new members of the Supervisory Board. These changes were recorded in the Commercial Register on 18 July 2015.

On 20 August 2015, Ladislav Chvátal was appointed as the chairman of the Supervisory Board and Petr Lachnit as the vice-chairman of the Supervisory Board. These change were recorded in the Commercial Register on 9 November 2015.

Organisational structure

The organisational structure of the Bank as at 31 December 2015 is as follows:

- Seven divisions (Financial Management Division, Financial Markets Division, Corporate Banking Division, Export and Structured Finance Division, IT Division, Operations Division, and Risk Management Division) which are further divided into departments;
- Six separate departments (Compliance Department, Internal Audit Department, CEO Secretariat and HR Department, Concierge Department, Legal Department, and Project Office Department).

With the exception of the Compliance and Internal Audit Departments, which are directly managed by the Bank's Board of Directors, all Bank divisions and departments are subordinate to Petr Jirásko, the Bank's CEO.

(b) Basis of preparation

The financial statements have been prepared on the basis of accounting records kept in compliance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic. The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

These financial statements have been prepared in accordance with Implementing Decree No 501 dated 6 November 2002, as amended, which regulates the layout, designation and definition of the individual items of the financial statements and the accounting policies and their application at banks and other financial institutions.

Numbers in brackets represent negative amounts.

These financial statements are non-consolidated.

2. Significant accounting policies

The Bank's financial statements have been prepared in accordance with the following significant accounting policies:

(a) Transaction date

Depending on the transaction type, the transaction date is generally defined as the date of payment or cash collection, the date of purchase or sale of foreign currency or securities, the date of execution of a payment or collection from a client's account, the date on which a correspondent is ordered to execute a payment, the date of settlement of the Bank's orders with the CNB clearing centre, the date on which (foreign currency) funds are credited, as stated in a report received from the Bank's correspondent ("report" meaning a SWIFT statement, a notice to the Bank, media received, an account statement or other documents), the trade and settlement date for derivative transactions, the date of issuance or receipt of a guarantee or standby credit, or the date on which assets are received for custody.

The Entity has determined that spot transactions (i.e. accounting transactions involving the purchase or sale of financial assets with a usual term of delivery) are recorded in off-balance sheet accounts from the trade date until the settlement date.

The Bank derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Bank loses this control if it exercises rights to benefits defined in a contract, or if such rights expire or are waived by the Bank.

(b) Securities

Treasury bills, bonds and other debt securities and shares including units and other investments are classified under the portfolio held to maturity, the portfolio valued at fair value, or the portfolio available for sale, based on the Bank's intentions. Only debt securities can be classified under the portfolio held to maturity.

Treasury bills, bonds and other debt securities are carried at amortised/accreted cost. Accrued interest income is part of the carrying amount of these securities. Shares, units and other investments are stated at acquisition cost.

Premiums and discounts on debt securities are amortised/accreted through the income statement over the period from the date of purchase to the date of maturity using the effective interest rate method. Where securities have a residual maturity of less than 1 year from the date of purchase, the premium and the discount are amortised/accreted equally through the income statement over the period from the date of purchase to the date of maturity.

Debt securities and shares, units and other investments valued at fair value are measured at fair value and gains/losses from this revaluation are charged to the income statement under "Gain or loss from financial operations".

Available-for-sale securities and shares, units and other investments are measured at fair value and gains/losses from this revaluation are charged to equity under "Revaluation gains (losses)". When the security is sold, the respective revaluation difference is charged to the income statement under "Gain or loss from financial operations".

The fair value used for the measurement of a security is determined based on the market price published as at the date of the fair value measurement, provided that the Entity is able to prove that the security can be sold at the market price.

With publicly traded debt and equity securities, fair values are equal to the prices reached on the public markets of OECD countries, provided that, at the same time, the requirements for securities liquidity are met.

If the fair value of a security cannot be determined by reference to its market price (e.g. the Bank is unable to prove that the security can be sold at the market price), fair value is determined as the adjusted value of the security.

The adjusted value of a security may equal the proportion of the investment in the equity of a company (for shares), the proportion of the investment in the equity of a mutual fund (for units), or the present value of the future cash flows generated by the security (for debt securities).

Transactions where securities are sold under a repurchase agreement (repo transactions) at a predetermined price or purchased under a resale agreement (reverse repo transaction) are accounted for as collateralised borrowings and loans. The legal title of securities subject to resale or repurchase agreements is transferred to the lender. Securities transferred under a repurchase agreement are henceforth included under the relevant items of securities in the Bank's balance sheet, while borrowings are recorded under "Payables to banks and credit unions" or "Payables to customers – credit union members".

Securities received under reverse repo transactions are only recorded in the off-balance sheet under “Collaterals and pledges received”. These loans are recognised in the balance sheet under “Receivables from banks and credit unions” or “Receivables from customers – credit union members”. Interest on debt securities transferred under a repurchase agreement is accrued while interest on debt securities received under a resale agreement is not accrued.

Income and expenses arising from repo or reverse repo transactions as the difference between the selling and purchase price are accrued over the period of the transaction and recognised in the income statement as “Interest expense and similar expense” or “Interest income and similar income”.

(c) Securities transactions for customers

Securities received by the Bank for custody or administration or as a deposit are recognised at their nominal values and recorded in the off-balance sheet account “Values taken into custody, administration and deposit”. Securities taken under management by the Bank are recognised at fair value and recorded in the off-balance sheet account “Values taken under management”. The Bank’s payables to customers resulting from cash received for the purchase of securities or cash to be refunded to customers, etc., are accounted for in the balance sheet liability accounts.

(d) Ownership interests with controlling influence and ownership interests with significant influence

An ownership interest with controlling influence is an ownership interest in a subsidiary in which the Bank actually or legally exercises, directly or indirectly, controlling influence (control) over its management or operation.

The Bank exercises significant influence if it holds, directly or indirectly, at least 20% of another company’s registered capital. In this case, the Bank has significant influence over the subject’s management, which arises from participation in the registered capital, by agreement, or from the articles of association, regardless of the percentage of participation.

Controlling and significant interests are valued at acquisition cost less losses arising from impairment of these ownership interests.

(e) Receivables from banks and customers

Receivables are carried at acquisition cost less loss arising from impairment. Accrued interest income is part of the carrying amount of receivables.

Receivables are reviewed for recoverability, which is the basis for determining the impairment loss in respect of individual receivables. Unless the Bank directly writes off the portion of receivables corresponding to the impairment loss, an adjustment is established for that portion of receivables. The method for calculating adjustments is described in Note 35 (a), (b) and (c). Adjustments established by debiting expenses are reported under “Write-offs, establishment and utilisation of adjustments and provisions for receivables and guarantees”.

The tax-deductible portion of total adjustments established in the accounting period for credit losses is calculated in accordance with Section 5 (“Banking reserves and adjustments”) and Section 8 (“Adjustments to receivables from debtors”) of Act No 593/1992 on reserves, as amended.

Receivables are written off based on the Bank’s procedures for writing off receivables.

The Bank also accrues interest income from non-performing receivables. The Bank subsequently establishes adjustments to such accrued interest income in accordance with Implementing Decree No 163/2014 laying down prudential rules for banks, credit unions and investment firms.

The write-off of unrecoverable receivables is recorded under “Write-offs, establishment and utilisation of adjustments and provisions for receivables and guarantees” in the income statement. If a fully adjusted receivable is written off, the adjustment relating to the same item of the income statement is reduced by an identical amount. Income from loans previously written off is included in the income statement under “Release of adjustments and provisions for receivables and guarantees, income from written-off receivables”.

(f) Establishment of provisions

A provision represents a probable cash outflow of uncertain timing or amount. A provision is recognised as an expense amounting to the best estimate of the outflow of resources required to settle a present debt. A provision is recognised if the following criteria are met:

- a present obligation (legal or constructive) exists as a result of a past event;
- it is probable or certain that an outflow of economic benefits will be required to settle the obligation (“probable” means a probability exceeding 50%); and
- the amount of the obligation can be estimated reliably.

(g) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost and are depreciated on a straight-line basis over their estimated useful lives.

The depreciation period for each category of tangible and intangible fixed assets is governed by the relevant provisions of Act No 586/1992 on income taxes, as amended. The periods are as follows:

Software	3 years or a contractually determined period
Leasehold improvements	50 years
Other	2 to 5 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their remaining useful lives.

h) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing on the transaction date. Assets and liabilities denominated in foreign currencies, together with unsettled foreign exchange spot transactions, are translated into the local currency at the Czech National Bank official rate prevailing as at the balance sheet date. The net foreign exchange gain/loss arising from the translation of foreign currency assets and liabilities, except for investments denominated in foreign currencies and items that hedge currency risk resulting from agreements not yet recorded in the Bank’s balance sheet or from expected future transactions, is recognised in the income statement as “Gain or loss from financial operations”.

(i) Derivatives

Embedded derivatives

In certain cases, a derivative may be a component of a hybrid (combined) financial instrument that includes both a host contract and the derivative (“embedded derivative”), which influences the cash flows or otherwise modifies the characteristics of the host contract. An embedded derivative is separated from the host contract and accounted for separately as a derivative if all of the following criteria are met at the same time:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not re-measured at fair value or is measured at fair value but the changes from revaluation are reported in the balance sheet.

Trading derivatives

Derivatives held for trading are recognised in the balance sheet at fair value. Gains and losses from changes in fair value are recorded in the income statement under “Gain or loss from financial operations”.

Hedging derivatives

Hedging derivatives are recognised in the balance sheet at fair value. The method of recognising changes in fair value depends on the model of hedge accounting applied.

Hedge accounting can be applied if:

- the hedge is in line with the Bank’s risk management strategy;
- the hedge relationship is formally documented at the inception of the hedge;
- the hedge relationship is expected to be effective throughout its duration;
- the effectiveness of the hedge relationship can be objectively measured;
- the hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80–125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk;
- for cash flow hedges, a forecast transaction must be highly probable and must present an exposure to variations in cash flows that could affect profit or loss.

Fair value hedges

When a derivative hedges the exposure to changes in the fair value of recognised assets and debts, or firm commitments, the hedged item attributable to the hedged risk is also measured at fair value. Such changes in fair value attributable to the hedged risk are recorded in the income statement.

For interest-sensitive instruments, gains (losses) from the revaluation of a hedged item and hedging derivative attributable to the hedged risk are recorded in the income statement under “Interest income and similar income” or “Interest expense and similar expense”.

The Entity ceases to recognise a derivative as a hedging derivative if any of the following events occurs:

- a) the hedging derivative expires or is prematurely terminated;
- b) the hedge no longer meets the conditions for classification of the derivative as a hedging derivative;
- c) the Entity decides to stop designating the derivative as a hedging derivative.

In any of the eventualities above, adjustments arising from changes in the fair value of hedged instruments measured at cost are henceforth amortised to profit or loss no later than the date of maturity of the hedged item.

(j) Taxation

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

Deferred tax is provided on all temporary differences between the carrying and tax value of assets and liabilities multiplied by the income tax rate expected to be valid for the next period. A deferred tax asset is recognised only if there are no doubts that it will be utilised in future accounting periods.

(k) Corrections of prior period errors and changes in accounting policies

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods. Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under “Retained profits (or accumulated losses)” in the Bank’s balance sheet.

3. Effect of corrections of material errors and changes in accounting policies

The Bank did not make any changes in accounting policies in 2015 and 2014.

4. Net interest income

MCZK	2015	2014
Interest income and similar income		
deposits	19	15
loans	1,478	2,096
debt securities	868	755
Total	2,365	2,866
Interest expense and similar expense		
deposits	(210)	(325)
loans	1	(8)
issued debt securities	(416)	(400)
Total	(625)	(733)
Net interest income	1,740	2,133

The Bank did not waive any default interest for 2015 and 2014.

5. Fees and commissions

MCZK	2015	2014
Commission and fee income from		
securities transactions	33	38
derivative transactions	3	5
management, administration, deposit and custody	24	27
loan activities	71	76
payment services	104	95
advisory services	1	1
administration of share/bond issues	7	28
guarantees	32	37
other	28	29
Total	303	336
Commission and fee expense from		
securities transactions	(20)	(24)
payment services	(19)	(26)
mediation of deals	(11)	(6)
Total	(50)	(56)

6. Gain or loss from financial operations

MCZK	2015	2014
Gain/(loss) from securities transactions	418	-
Gain/(loss) from derivative transactions	(598)	(304)
Gain/(loss) from foreign exchange transactions	663	(29)
Total	482	(333)

7. Other operating income and expenses

MCZK	2015	2014
Other operating income		
re-invoicing and similar income	1	1
other	-	1
Total	1	2
Other operating expenses		
insurance of deposits	(74)	(63)
shortages and damage	-	(1)
contribution to the Securities Traders Guarantee Fund	(2)	(4)
Total	(76)	(68)

8. Administrative expenses

MCZK	2015	2014
Wages and salaries paid to employees	(185)	(167)
Social and health insurance	(64)	(59)
Liability insurance, pension insurance	(2)	(2)
Wages and salaries paid to:		
members of the Board of Directors	(26)	(17)
members of the Supervisory Board	(5)	(5)
other executives	(21)	(21)
Employee expenses	(303)	(271)
Other administrative expenses	(411)	(343)
Audit, legal and tax advisory	(16)	(14)
Total	(714)	(614)

The average number of the Bank's employees was as follows:

	2015	2014
Employees	196	188
Members of the Board of Directors of the Bank	3	3
Members of the Supervisory Board	6	6
Other executives	5	6

9. Income and expenses resulting from transactions with related parties

MCZK	2015	2014
Interest income and similar income	498	905
Interest expenses and similar expenses	-	(41)
Other income	1	1

In 2015 and 2014, income and expenses resulting from ownership interests with a controlling or significant influence followed from transactions with the related party Ruconfin B.V., which was established by the Bank in 2012.

10. Income and expenses by operating segment

(a) Business segments

MCZK	Retail banking		Corporate banking		Investment banking		Government		Banks		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Interest income and similar income	13	13	1,852	2,251	14	52	332	285	154	265	2,365	2,866
Interest expense and similar expense	(17)	(19)	(129)	(233)	(3)	(12)	(297)	(277)	(179)	(192)	(625)	(733)
Income from shares and ownership interests	-	-	2	-	-	-	-	-	-	-	2	-
Commission and fee income	7	5	248	276	15	40	6	5	27	10	303	336
Commission and fee expense	-	-	(20)	(16)	(5)	(5)	-	-	(25)	(35)	(50)	(56)
Gain or loss from financial operations	(9)	13	163	(386)	(73)	120	90	176	311	(256)	482	(333)

(b) Geographical segments

MCZK	Czech Republic		Central and Eastern Europe (excluding EU)		European Union		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Interest income and similar income	810	925	700	1,127	651	535	204	279	2,365	2,866
Interest expense and similar expense	(568)	(618)	(6)	(3)	(26)	(101)	(25)	(11)	(625)	(733)
Income from shares and ownership interests	-	-	-	-	-	-	2	-	2	-
Commission and fee income	132	204	18	18	114	86	39	28	303	336
Commission and fee expense	(31)	(37)	(1)	-	(11)	(11)	(7)	(8)	(50)	(56)
Gain or loss from financial operations	2,249	(1,061)	51	(124)	(1,787)	846	(31)	6	482	(333)

11. Transactions with related parties

MCZK	2015	2014
Receivable	7,861	8,659
Payables	(12,300)	(33,381)
Income	2,304	1,753
Expenses	(1,154)	(675)

A party is related to the entity if:

- a) directly, or indirectly through one or more intermediaries, the party:
 - i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - ii) has an interest in the entity that gives it significant influence over the entity; or
 - iii) has joint control over the entity;
- b) the party is an associate of the entity;
- c) the party is a joint venture in which the entity is a venturer;
- d) the party is a member of the key management personnel of the entity or its parent;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

12. Receivables from banks

(a) Classification of receivables from banks

MCZK	31.12.2015	31.12.2014
Standard	4,632	16,255
Total	4,632	16,255
Adjustments for potential losses from receivables	-	-
Net receivables from banks	4,632	16,255

(b) Analysis of receivables from banks by type of security received

MCZK	31.12.2015	31.12.2014
Collateral held by the Bank	2,114	10,472
Unsecured	2,518	5,783
Gross receivables from banks	4,632	16,255

(c) Subordinated receivables from banks

In 2015 and 2014, the Bank did not provide any subordinated loans.

(d) Write-off of receivables and income from the write-off of receivables

The Bank did not write off any receivables from banks during the years 2014 and 2015.

(e) Receivables from banks over which the Bank exercises controlling or significant influence

The Bank did not have any receivables from banks which, by nature, were receivables from banks over which the Bank exercises controlling or significant influence.

13. Receivables from customers**(a) Classification of receivables from customers**

MCZK	31.12.2015	31.12.2014
Standard	18,251	19,110
Watch	3,898	1,627
Substandard	2,091	1,126
Doubtful	97	883
Loss	2,496	2,047
Total	26,833	24,793
Adjustments for potential losses from receivables	(1,026)	(1,332)
Net receivables from customers	25,807	23,461

In 2015 the Bank restructured receivables from customers totalling MCZK 2,200 (2014: MCZK 0).

(b) Analysis of receivables from customers by sector

MCZK	31.12.2015	31.12.2014
Financial institutions	645	712
Non-financial institutions	7,454	7,441
Government sector	4	471
Self-employed	54	57
Resident individuals	213	142
Non-residents	17,437	14,638
Total	25,807	23,461

(c) Subordinated receivables from customers

As at 31 December 2015 and 31 December 2014, the Bank did not provide any subordinated loans.

(d) Analysis of receivables from customers by sector and type of security received

MCZK	Bank guarantee	Mortgage	Unsecured	Total
At 31 December 2015				
Financial institutions	-	2	643	645
Non-financial institutions	3	3,273	4,178	7,454
Government sector	-	-	4	4
Self-employed	-	22	32	54
Resident individuals	-	85	128	213
Non-residents	5,227	3,139	9,071	17,437
Total	5,230	6,521	14,056	25,807
At 31 December 2014				
Financial institutions	-	270	442	712
Non-financial institutions	47	3,536	3,858	7,441
Government sector	-	-	471	471
Self-employed	-	31	26	57
Resident individuals	-	78	64	142
Non-residents	6,046	3,790	4,802	14,638
Total	6,093	7,705	9,663	23,461

(e) Net receivables from customers written-off and recovered

In 2015, the Bank wrote off receivables of MCZK 222 (2014: MCZK 128). Net receivables from customers recovered amounted to MCZK 222 (2014: MCZK 127).

(f) Syndicated loans

As at 31 December 2015, receivables from customers comprise nine syndicated loans with an original total value of MCZK 28,018 (2014: four syndicated loans – MCZK 500), of which the Bank held MCZK 3,553 (2014: MCZK 229). As at 31 December 2015, the aggregate amount outstanding (including accrued interest, outstanding principals and fees) was MCZK 3,401 (2014: MCZK 229). The Bank is the lead bank for two syndicated loans (2014: the Bank was not the lead bank for any syndicated loan).

(g) Receivables from parties with a special relationship to the Bank

MCZK	Board of Directors	Executives	Supervisory Board	Other
At 31 December 2015	-	76	-	5,176
At 31 December 2014	-	1	-	5,219

The above loans and advances representing receivables from parties with a special relationship to the Bank were provided with regular conditions.

(h) Receivables from entities over which the Bank exercises controlling or significant influence

MCZK	Controlling influence
At 1 January 2015	4,068
Disposals	1,479
At 31 December 2015	2,589

Interest income relating to issued loans amounted to MCZK 498 for 2015 (2014: MCZK 905).

The bank did not record any receivables from entities with significant influence.

14. State zero coupon bonds and other securities eligible for refinancing with the central bank**(a) State zero coupon bonds and other securities eligible for refinancing with the CNB**

MCZK	31.12.2015	31.12.2014
State bonds	26,253	26,206
Net book value	26,253	26,206

(b) Classification of state zero coupon bonds and other securities eligible for refinancing with the CNB under individual portfolios based on the Bank's intention

MCZK	31.12.2015	31.12.2014
State zero coupon bonds and other securities at fair value	11,016	7,681
Available-for-sale state zero coupon bonds and other securities	15,237	18,525
Net book value	26,253	26,206

(c) Repo and reverse repo transactions

As at 31 December 2015, under reverse repo transactions the Bank acquired government bonds with a market value of MCZK 1,826, which are recorded in the off-balance sheet under “Collaterals and pledges received” and which are further transferred under short sales, which are recorded in the balance sheet under “Payables from debt securities”.

As at 31 December 2014, under reverse repo transactions the Bank acquired treasury bills with a market value of MCZK 4,606, which are recorded in the off-balance sheet under “Collaterals and pledges received”. As at 31 December 2014, the Bank also reported government bonds acquired under reverse repo transactions with a market value of MCZK 5,916.

The value of treasury bills acquired under reverse repo transactions as at 31 December 2014 includes treasury bills with a market value of MCZK 4,434 transferred under repo transactions.

The value of government bonds acquired under reverse repo transactions as at 31 December 2014 includes government bonds with a market value of MCZK 5,583 that have been further transferred under short sales.

15. Debt securities

(a) Classification of debt securities under individual portfolios based on the Bank’s intention

MCZK	31.12.2015	31.12.2014
Debt securities at fair value	772	2,865
Available-for-sale debt securities	10,882	7,668
Net book value	11,654	10,533

(b) Analysis of debt securities at fair value

MCZK	31.12.2015 Market value	31.12.2014 Market value
Issued by financial institutions		
- Listed on a recognised Czech exchange	20	611
- Listed on another exchange	662	1,843
	682	2,454
Issued by non-financial institutions		
- Listed on another exchange	90	145
	90	145
Issued by government sector		
- Listed on another exchange	-	266
	-	266
Total	772	2,865

Debt securities issued by financial institutions and listed on another exchange are listed on exchanges in Ireland (MCZK 118; 2014: MCZK 1,042), the United Kingdom (MCZK 544; 2014: MCZK 690) and Luxembourg (MCZK 0; 2014: MCZK 111).

Debt securities issued by non-financial institutions and listed on another exchange are listed on exchanges in the United Kingdom (MCZK 90; 2014: MCZK 70) and Ireland (MCZK 0; 2014: MCZK 75).

Debt securities issued by the government sector and listed on another exchange are listed on the exchange in the United Kingdom (MCZK 0; 2014: MCZK 266).

(c) Analysis of available-for-sale debt securities

MCZK	31.12.2015 Market value	31.12.2014 Market value
Issued by financial institutions		
- Listed on a recognised Czech exchange	1,550	867
- Listed on another exchange	4,619	3,822
- Unlisted	1,323	1,577
	7,492	6,266
Issued by non-financial institutions		
- Listed on a recognised Czech exchange	478	100
- Listed on another exchange	1,639	791
- Unlisted	982	354
	3,099	1,245
Issued by government sector		
- Listed on another exchange	291	157
	291	157
Total	10,882	7,668

As at 31 December 2015, the Bank owns debt securities listed on another exchange and issued by financial institutions of MCZK 4,619. They comprise bonds listed on exchanges in the United Kingdom (MCZK 90; 2014: MCZK 291), France (MCZK 135; 2014: MCZK 2,770), Germany (MCZK 682; 2014: MCZK 554), Luxembourg (MCZK 811; 2014: MCZK 167), Ireland (MCZK 185; 2014: MCZK 40), and on other markets (MCZK 1,836; 2014: MCZK 0); unlisted debt securities issued by financial institutions represent foreign bills of exchange and Czech financial institutions.

As at 31 December 2015, the Bank owns debt securities listed on another exchange and issued by non-financial institutions of MCZK 1 639 (2014: MCZK 791), of which MCZK 911 relates to bonds listed on the stock exchange in Luxembourg (2014: MCZK 791); the other bonds were listed on exchanges in the USA (2015: MCZK 208, 2014 MCZK 0), the United Kingdom (2015: MCZK 151, 2014 MCZK 0), Kazakhstan (2015: MCZK 142, 2014 MCZK 0), Mexico (2015: MCZK 128, 2014 MCZK 0), and Hong Kong (2015: MCZK 99, 2014 MCZK 0).

Unlisted debt securities issued by non-financial institutions comprise two bills of exchange issued by a Czech institution. The bills of exchange are due in May and September 2016, respectively. As at 31 December 2014, the Bank held a bill of exchange issued by a Czech non-financial institution.

Debt securities listed on another exchange and issued by government sector are listed on exchanges in Germany (2015: MCZK 0; 2014: MCZK 157), Luxembourg (2015: MCZK 184; 2014: MCZK 0), and South Africa (2015: MCZK 107; 2014: MCZK 0).

(d) Repo and reverse repo transactions

As at 31 December 2015, under reverse repo transactions, the Bank has not acquired any debt securities. As at 31 December 2014, under reverse repo transactions, the Bank has acquired debt securities with a market value of MCZK 365, which are recorded off-balance sheet under “Collaterals and pledges received”.

(e) Borrowings of securities

As at 31 December 2015, the Bank borrowed debt securities of MCZK 5,443 (2014: MCZK 0) and lent debt securities of MCZK 5,389 (2014: MCZK 0).

16. Shares, units and other investments

(a) Classification of shares, units and other investments under individual portfolios based on the Bank's intention

MCZK	31.12.2015	31.12.2014
Shares, units and other investments at fair value	311	-
Available-for-sale shares, units and other investments	58	562
Net book value	369	562

(b) Analysis of shares, units and other investments at fair value

MCZK	31.12.2015	31.12.2014
Issued by non-financial institutions		
- Listed on a recognised Czech exchange	67	-
- Listed on another exchange	244	-
Total	311	-

As at 31 December 2015, securities at fair value held by the Bank comprise units of MCZK 244 (2014: MCZK 0) and shares issued by non-financial institutions and listed on a recognised Czech exchange amount to MCZK 67 (2014: MCZK 0).

(c) Analysis of available-for-sale shares, units and other investments

MCZK	31.12.2015 Market value	31.12.2014 Market value
Issued by financial institutions		
- Unlisted	4	7
	4	7
Issued by non-financial institutions		
- Listed on another exchange	54	555
	54	555
Total	58	562

As at 31 December 2015, available-for-sale securities held by the Bank comprise units of MCZK 4 (2014: MCZK 7), and shares issued by non-financial institutions, listed on another exchange and traded on the Slovak exchange amount to MCZK 54 (2014: MCZK 555).

(d) Repo and reverse repo transactions

As at 31 December 2015, under reverse repo transactions, the Bank has acquired shares with a market value of MCZK 1,040 (31 December 2014: MCZK 992), which are recorded in the off-balance sheet under “Collaterals and pledges received”.

17. Ownership interests with controlling or significant influence

(a) Ownership interests with controlling influence

As at 31 December 2015, the Bank held an ownership interest with controlling influence of MCZK 51 (2014: MCZK 51) in Ruconfin B.V., an ownership interest with controlling influence of MCZK 5 (2014: MCZK 5) in PPF Financial Consulting s.r.o., an ownership interest with controlling influence of MCZK 0.2 (2014: MCZK 0.2) in Net Gate s.r.o., and an ownership interest with controlling influence of CZK 1 (2014: CZK 1) in Airline Gate 1 s.r.o.

The Bank has been holding its ownership interest in Ruconfin B.V. since 2012 for the Bank to enter the consumer loan segment in the Russian Federation; the ownership interests in PPF Financial Consulting s.r.o. and Net Gate s.r.o. are held for the Bank to enter the segment of advisory services for municipal clients.

(b) Ownership interests with significant influence

As at 31 December 2015 and 31 December 2014, the Bank held no ownership interest with significant influence.

18. Intangible fixed assets

(a) Movements in intangible fixed assets

MCZK	Software	Intangible assets under construction	Total
Cost			
At 1 January 2014	292	11	303
Additions	17	17	34
Disposals	-	(23)	(23)
At 31 December 2014	309	5	314
At 1 January 2015	309	5	314
Additions	13	23	36
Disposals	(5)	(14)	(19)
At 31 December 2015	317	14	331
Accumulated amortisation and adjustments			
At 1 January 2014	234	-	234
Annual amortisation	28	-	28
Disposals	-	-	-
At 31 December 2014	262	-	262
At 1 January 2015	262	-	262
Annual amortisation	21	-	21
Disposals	(5)	-	(5)
At 31 December 2015	278	-	278
Net book value			
At 31 December 2014	47	5	52
At 31 December 2015	39	14	53

In 2015, the Bank primarily acquired a CRM application and an upgrade of the Kondor+ front office system, which was immediately put into use. Banking synergy software and rating software was also put into use. Other additions to intangible fixed assets include improvements in the software for keeping central records of clients, improvements in the payment system, improvements in SW factoring, improvements in Lotus Notes applications, improvements in the Ivan deal system, and improvements in the CMS application.

19. Tangible fixed assets

(a) Movements in tangible fixed assets

MCZK	Low value tangible assets	Land and buildings	Fixtures and fittings	Equipment	Tangible assets under construction	Total
Cost						
At 1 January 2014	3	16	16	132	1	168
Additions	-	-	-	3	4	7
Disposals	-	-	-	(2)	(4)	(6)
At 31 December 2014	3	16	16	133	1	169
At 1 January 2015	3	16	16	133	1	169
Additions	-	-	-	16	15	31
Disposals	-	-	-	(41)	(16)	(57)
At 31 December 2015	3	16	16	108	-	143
Accumulated depreciation and adjustments						
At 1 January 2014	3	-	15	108	-	126
Regular depreciation charge	-	-	1	18	-	19
Disposals	-	-	-	(2)	-	(2)
At 31 December 2014	3	-	16	124	-	143
At 1 January 2015	3	-	16	124	-	143
Regular depreciation charge	-	1	-	10	-	11
Disposals	-	-	-	(41)	-	(41)
At 31 December 2015	3	1	16	93	-	113
Net book value						
At 31 December 2014	-	16	-	9	1	26
At 31 December 2015	-	15	-	15	-	30

In 2015, the Bank primarily acquired servers and disc arrays. These assets were put into service. Among other things, new firewalls, notebooks and WI-FI transmitters were also put into use. Disposals centred on servers, disc arrays, switches, a tape drive, and a telephone exchange.

(b) Tangible fixed assets acquired under finance leases

In 2015 and 2014, the bank did not have any liabilities connected to finance leases of tangible fixed assets.

20. Other assets

MCZK	31.12.2015	31.12.2014
Other receivables from various debtors	536	41
Positive fair value of derivatives	1,522	3,296
Clearing of securities market	13	83
Monetary security to payment cards	182	168
Income tax prepayments settlement	-	43
Total	2,253	3,631

21. Payables to banks

(a) Analysis of payables to banks by residual maturity

MCZK	31.12.2015	31.12.2014
Repayable on demand	368	877
Up to 3 months	1,291	2,242
From 3 months to 1 year	-	320
Total	1,659	3,439

(b) Payables to entities over which the Bank exercises controlling or significant influence

In 2015 and 2014, the Bank had no payables to banks which, by nature, were payables to entities over which the Bank exercises controlling or significant influence.

22. Payables to customers

(a) Analysis of payables to customers by sector and product type

MCZK	Repayable on demand	Term deposits with fixed maturity	Total
At 31 December 2015			
Financial institutions	103	-	103
Non-financial institutions	6,234	7,166	13,400
Insurance institutions	491	409	900
Government sector	11,343	8,381	19,724
Non-profit organisations	347	36	383
Self-employed	106	141	247
Resident individuals	1,177	112	1,289
Non-residents	21,401	1,081	22,482
Total	41,202	17,326	58,528

MCZK	Repayable on demand	Term deposits with fixed maturity	Total
At 31 December 2014			
Financial institutions	674	1,399	2,073
Non-financial institutions	6,674	10,593	17,267
Insurance institutions	161	5,288	5,449
Government sector	13,830	2,551	16,381
Non-profit organisations	236	41	277
Self-employed	76	299	375
Resident individuals	1,704	179	1,883
Non-residents	33,941	1,262	35,203
Total	57,296	21,612	78,908

In 2015 and 2014, the Bank did not have any payables to clients in connection with investment service provision.

(b) Payables to entities over which the Bank exercises controlling or significant influence

MCZK	Controlling influence
At 1 January 2014	816
Decreases	716
At 31 December 2014	100
At 1 January 2015	100
Decreases	12
At 31 December 2015	88

The Bank did not have any payables to entities over which the Bank exercises significant influence in 2015 and 2014.

(c) Payables to parties with a special relationship to the Bank

MCZK	Executive directors	Supervisory Board	Other
At 1 January 2014	6	79	29,451
Increase/Decrease	9	129	3,930
At 31 December 2014	15	208	33,381
At 1 January 2015	15	208	33,381
Increase/Decrease	3	(187)	(25,163)
At 31 December 2015	18	21	8,218

23. Payables from debt securities

(a) Classification of payables from debt securities

MCZK	31.12.2015	31.12.2014
Certificates of deposit	18,100	6,533
Investment certificates	1,452	2,260
Liabilities from short sales of debt securities	6,853	5,583
Net book value	26,405	14,376

The share of issued debt securities with a residual maturity of up to one year of the total value of these securities is 93% (2014: 85%).

(b) Analysis of depository notes and other debt securities issued by sector

MCZK	31.12.2015	31.12.2014
Financial institutions	1,456	126
Non-financial institutions	740	1,525
Non-residents	-	779
Government sector	17,166	4,403
Resident individuals	190	1,960
Total	19,552	8,793

(c) Other payables from debt securities

Other payables from debt securities as at 31 December 2015, amounting to MCZK 6,853 (2014: MCZK 5,583), comprise securities that were sold short.

24. Subordinated liabilities

MCZK	31.12.2015	31.12.2014
Subordinated bond	1,456	1,455
Total	1,456	1,455

A subordinated bond was approved by the CNB as part of regulatory capital with a redemption date of April 2023 and with 6.5% coupon.

25. Other liabilities

MCZK	31.12.2015	31.12.2014
Collateral deposits for derivatives	3,040	1,512
Escrow accounts	157	180
Negative fair value of derivatives	1,213	1,744
Deferred tax liability – see Note 31	132	83
Other liabilities to various creditors	2,852	523
liabilities from securities trading	–	119
liabilities from payment settlement	–	117
other liabilities	2,852	287
Estimated payables	72	66
Total	7,466	4,108

Other liabilities primarily consist of funds in a tied account, which are intended to redeem shares held by minority shareholders of Česká telekomunikační infrastruktura a.s. (2015: MCZK 2,732; 2014: MCZK 0).

26. Registered capital

At 31 December 2015, the registered capital was MCZK 769 (2014: MCZK 769) and comprised 192,131 shares with a nominal value CZK 2,602.50 and 384,262 shares with a nominal value CZK 700. The share premium was MCZK 412 (2014: MCZK 412) as at 31 December 2015.

Shareholders of the Bank as at 31 December 2015:

Name	Registered office	Number of shares (thousands)	Share in registered capital (%)
PPF Financial Holdings B.V.	Netherlands	554,711	92.96
City of Prague	Czech Republic	19,882	6.73
Other (less than 1%)		1,800	0.31
Total		576,393	100.00

As at 30 June 2015, shares totalling 92.96% of Bank voting rights were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

Board members, management and Supervisory Board members of the Bank did not own any Bank shares as at 31 December 2015 or 2014.

27. Equity-based remuneration

The Bank has not implemented any share purchase plans and share option schemes to remunerate, motivate and retain its employees.

28. Provisions and adjustments for possible credit losses

(a) Provisions for possible credit losses

The bank did not have any provisions for possible credit losses in 2015 and 2014.

(b) Adjustments to watch and risky receivables

MCZK		
At 1 January 2014		855
Additions	559	
Use	-	
Disposals	(89)	
FX differences	7	
Influence on profit		477
Balance of adjustments at 31 December 2014		1,332
At 1 January 2015		1,332
Additions	346	
Use	(374)	
Disposals	(302)	
FX differences	24	
Influence on profit		(306)
Balance of adjustments at 31 December 2015		1,026

(c) Provision for guarantees granted

MCZK		
At 1 January 2014		39
Additions	22	
Use	-	
Disposals	(33)	
Influence on profit		(11)
At 31 December 2014		28
At 1 January 2015		28
Additions	75	
Use	-	
Disposals	(46)	
Influence on profit		29
At 31 December 2015		57

(d) Other adjustments

The Bank did not have any other adjustments as at 31 December 2015 and 31 December 2014.

29. Retained profits or accumulated losses, reserve funds and other funds from profit

The Bank proposes to distribute its profit for 2015 as follows:

MCZK	Profit	Retained profits (or accumulated losses)	Capital funds and other funds from profit
Balance at 31 December 2015 before distribution of the 2015 profit	-	4,402	2
Profit for 2015	1,295	-	-
Proposed distribution of the 2015 profit:			
Transfer to funds	(2)	-	2
Profit shares	-	-	-
Transfer to retained earnings	(1,293)	1,293	-
	-	5,695	4

30. Revaluation gains and losses

MCZK	Available-for-sale securities
Balance at 1 January 2014	243
Decrease	(128)
Increase	192
Balance at 31 December 2014	307
Balance at 1 January 2015	307
Decrease	(101)
Increase	289
Balance at 31 December 2015	495

31. Income tax and deferred tax asset/liability

(a) Current tax for the current period

MCZK	2015	2014
Current period profit (loss) before tax	1,583	893
Non-taxable income	(295)	(234)
Non-tax deductible expenses	232	270
Tax allowances and credits used	-	-
Other items	-	-
Subtotal	1,520	929
Income tax calculated using a tax rate of 19% (2014: 19%)	(289)	(177)
Tax adjustment for 2014	6	-
Income tax total	(283)	(177)

The income tax provision for 2015 amounted to MCZK 289 (2014: MCZK 177). This provision for 2015 was adjusted to the value of the actually estimated income tax prepayments settlement for 2015, i.e. it was offset against the 2015 income tax prepayments of MCZK 168 (2014: MCZK 197) and against withholding tax withheld in 2015 from foreign transactions of MCZK 12 (2014: MCZK 25).

Non-taxable income for 2015 comprises the release of non-tax deductible adjustments of MCZK 100 (2014: MCZK 63) and outstanding default interest of MCZK 40 (2014: MCZK 90).

(b) Deferred tax liability/asset

Deferred income tax is calculated on all temporary differences using the tax rate valid for the period in which the tax asset/liability is expected to be utilised, i.e. 19% (2014: 19%).

Deferred tax assets and liabilities comprise the following items:

MCZK	31.12.2015	31.12.2014
Deferred tax liability		
Revaluation gains (losses) on assets and liabilities (recognised in Revaluation gains (losses) in equity)	(116)	(74)
Outstanding default interest	(27)	(21)
Deferred tax liability	(143)	(95)
Deferred tax asset		
Revaluation gains (losses) on assets and liabilities (recognised in Revaluation gains (losses) in equity)	-	2
Other	11	10
Deferred tax asset	11	12
Total deferred tax liability/asset	(132)	(83)

As at 31 December 2015 and 31 December 2014, the item Other comprised a deferred tax asset associated to wages and salaries and social security and health insurance payments relating to wages and salaries for the relevant year which were excluded from tax-deductible expenses for the relevant year as these wages and salaries were not paid until 31 January of the following year.

Deferred tax arising from revaluation gains (losses) on assets and liabilities recognised as at 31 December 2015 of MCZK 116 (2014: MCZK 72) was included in the Bank's equity under Liabilities as an adjustment to Revaluation gains (losses).

In 2015, the Bank reported a tax expense as a result of deferred tax totalling MCZK 5 (2014: a tax expense of MCZK 15).

32. Off-balance sheet items

(a) Irrevocable debts arising from acceptances and endorsements, other written contingent liabilities and assets pledged as collateral

MCZK	31.12.2015	31.12.2014
Customers		
Commitments from guarantees	1,339	2,853
Other potential commitments	5,166	3,795
Total	6,505	6,648

No commitments mentioned above are unilaterally revocable.

Besides the irrevocable debts, as at 31 December 2015 the Bank reported revocable debts from guarantees of MCZK 1,619 (2014: MCZK 932) and other revocable commitments of MCZK 2,826 (2014: MCZK 3,428) to clients and other banks.

(b) Guarantees issued in favour of related parties

MCZK	Board of Directors	Executives	Supervisory Board	Other
At 31 December 2015	-	-	-	8
At 31 December 2014	-	-	-	-

(c) Off-balance sheet financial instruments

MCZK	Contract amounts		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Trading instruments				
Forward exchange contracts			155	348
purchase	124,298	59,498	-	-
sale	123,992	58,922	-	-
Interest rate swaps	45,298	20,802	(166)	(234)
Option contracts	1,277	1,152	-	-
Other financial instruments			69	72
purchase	679	1,122	-	-
sale	674	1,122	-	-
Hedging instruments				
Forward exchange contracts			251	1,366
purchase	2,702	7,090		
sale	2,602	5,952		
Total			309	1,552

The other financial instruments are futures, IR CAPs and IR forwards (2014: futures).

In the off-balance sheet, “Receivables from fixed term transactions” as at 31 December 2015 comprise deferred interest income from IRS transactions of MCZK 113 (2014: MCZK 56), while “Liabilities from fixed term transactions” comprise deferred interest expense on IRS transactions of MCZK 160 (2014: MCZK 108).

(d) Residual maturity of financial derivatives

The nominal values of the individual types of financial derivatives are allocated to their residual maturity as follows.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
At 31 December 2015						
Trading instruments						
Forward exchange contracts (purchase)	53,902	16,012	54,384	-	-	124,298
Forward exchange contracts (sale)	53,902	15,920	54,170	-	-	123,992
Interest rate swaps	10,916	12,942	10,611	10,829	-	45,298
Option contracts	-	-	1,277	-	-	1,277
Other financial instruments (purchase)	-	-	-	679	-	679
Other financial instruments (sale)	674	-	-	-	-	674
Hedging instruments						
Forward exchange contracts (purchase)	959	1,230	513	-	-	2,702
Forward exchange contracts (sale)	878	1,171	553	-	-	2,602
At 31 December 2014						
Trading instruments						
Forward exchange contracts (purchase)	34,672	24,826	-	-	-	59,498
Forward exchange contracts (sale)	34,574	24,348	-	-	-	58,922
Interest rate swaps	-	-	8,691	12,111	-	20,802
Option contracts	-	-	1,152	-	-	1,152
Other financial instruments (purchase)	141	981	-	-	-	1,122
Other financial instruments (sale)	140	982	-	-	-	1,122
Hedging instruments						
Forward exchange contracts (purchase)	2,227	4,863	-	-	-	7,090
Forward exchange contracts (sale)	1,531	4,421	-	-	-	5,952

33. Values taken into custody, administration and deposit

MCZK	31.12.2015	31.12.2014
Depository notes	18,156	6,623
Bonds	54,332	78,206
Equity securities	86,028	17,012
Total	158,516	101,841

The Bank started engaging in asset administration and management in 2009.

34. Significant transactions

The Bank granted the following significant loans to related parties in 2015:

- the subsidiary Ruconfin B.V.: an overdraft facility with a limit of MCZK 2,589 (Russian roubles) with a repayment date in 2017 (2014: MCZK 4,068).

All loans were provided on an arm's-length basis.

35. Financial instruments – market risk

The Bank is exposed to market risks arising from the open positions of transactions involving interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

(a) Trading

The Bank holds trading positions in various financial instruments, including financial derivatives. The majority of the Bank's business activities are conducted according to the requirements of the Bank's customers. Based on the estimated demand of its customers, the Bank holds a certain supply of financial instruments and maintains a link with the financial markets through the quoting of bid and ask prices and by trading with other market makers. These positions are also held for speculation on the expected future development of the financial markets. The Bank's business strategy is thus affected by speculation and market making, and its goal is to maximise its net income from trading.

The Bank manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The principal risk management tools are transaction volume limits, stop-loss limits and Value at Risk (VaR) limits. The quantitative methods applied in managing market risks are stated under "Risk management methods" (see Note 35 (c)).

In 2006, the Bank started trading with derivatives on the basis of a licence received from the CNB.

In the absence of a public market for financial derivatives in the Czech Republic, the majority of derivatives are contracted in the OTC market.

(b) Risk management

As a result of its activities, the Bank is exposed to a certain number of risks. The Bank's approach to managing these risks is described below. More details on the procedures used by the Bank to measure and manage these risks are stated under "Risk management methods" (see Note 35 (c)).

Liquidity risk

Liquidity risk arises from the type of financing of the Bank's activities and management of its positions, e.g. when the Bank is unable to finance its assets using instruments with appropriate maturity or to dispose of its assets for the appropriate price within the appropriate time period.

The Bank has access to diversified sources of funds, which comprise deposits and savings, securities issued, loans received (including subordinated liabilities) and equity. This diversification makes the Bank flexible and limits its dependence on any single financing source. The Bank regularly evaluates its liquidity risk exposure, in particular by monitoring changes in the structure of its financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Bank's Board of Directors. As part of its liquidity risk management strategy, the Bank also holds a portion of its assets in highly liquid investments such as state treasury bills and similar bonds.

Residual maturity of the Bank's assets and liabilities

MCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2015						
Cash in hand and balances with CBs	30,259	-	-	-	1,693	31,952
State zero coupon bonds and other securities	193	2,211	10,639	13,210	-	26,253
Receivables from banks	4,329	-	-	303	-	4,632
Receivables from customers	3,270	2,377	13,938	6,222	-	25,807
Debt securities	329	3,489	7,422	414	-	11,654
Shares, units and other investments	-	-	-	-	369	369
Ownerships interests with controlling influence	-	-	-	-	57	57
Other assets (including property)	492	329	355	361	799	2,336
Prepaid expenses and accrued income	-	-	-	-	24	24
Total	38,872	8,406	32,354	20,510	2,942	103,084
Payables to banks	1,659	-	-	-	-	1,659
Payables to customers	50,795	6,961	771	-	-	58,528
Payables from debt securities	5,519	12,801	1,471	6,614	-	26,405
Subordinated liabilities	-	66	-	1,390	-	1,456
Other liabilities	6,277	193	278	422	295	7,465
Deferred income and accrued expenses	-	-	-	-	29	29
Total	64,250	20,021	2,520	8,426	325	95,541
Gap	(25,378)	(11,615)	29,834	12,084	2,618	7,543
Cumulative gap	(25,378)	(36,993)	(7,159)	4,925	7,543	
At 31 December 2014						
Cash in hand and balances with CBs	25,566	-	-	-	1,863	27,429
State zero coupon bonds and other securities	3,264	442	10,587	11,913	-	26,206
Receivables from banks	15,090	800	-	365	-	16,255
Receivables from customers	4,837	1,412	8,017	9,195	-	23,461
Debt securities	759	4,011	4,808	955	-	10,533
Shares, units and other investments	-	-	-	-	562	562
Ownerships interests with controlling influence	-	-	-	-	57	57
Other assets (including property)	1,540	1,615	93	337	124	3,709
Prepaid expenses and accrued income	-	-	-	-	25	25
Total	51,056	8,280	23,505	22,765	2,631	108,237
Payables to banks	3,119	320	-	-	-	3,439
Payables to customers	68,291	10,160	457	-	-	78,908
Payables from debt securities	4,446	2,960	3,995	2,975	-	14,376
Subordinated liabilities	-	66	-	1,388	-	1,455
Other liabilities	2,606	627	192	472	211	4,108
Deferred income and accrued expenses	11	-	-	-	18	29
Total	78,472	14,135	4,644	4,835	229	102,315
Gap	(27,417)	(5,855)	18,861	17,930	2,403	5,922
Cumulative gap	(27,417)	(33,272)	(14,411)	3,519	5,922	

The above tables show the residual maturity of the carrying amounts of the individual financial instruments, not the total cash flows generated by these instruments.

Interest rate risk

The Bank is exposed to interest rate risk as its interest-bearing assets and liabilities have different maturity dates, interest rate adjustment periods and volumes during these periods. As far as variable interest rates are concerned, the Bank is exposed to basis risk due to the different mechanisms of setting interest rates such as PRIBOR, the interest announced on deposits, etc. The Bank's interest rate risk management activities are aimed at optimising net interest income in accordance with the Bank's strategy approved by the Board of Directors.

The mismatch between interest rate sensitive assets and liabilities is generally managed using interest rate derivatives. These transactions are carried out in accordance with the asset and liability management strategy approved by the Bank's Board of Directors.

Part of the Bank's income is generated by the intentional mismatch between its interest rate sensitive assets and liabilities, which is summarised in the table below. The carrying amounts of these assets and liabilities and the nominal (notional) values of interest rate derivatives are included in the earlier of the period in which they are due or the period in which the interest rate changes. Due to their expected premature repayment or non-defined maturity dates, certain assets or liabilities are allocated to individual periods on the basis of an expert estimate.

Interest rate sensitivity of the Bank's assets and liabilities

MCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2015						
Cash in hand and balances with CBs	30,259	-	-	-	1,693	31,952
State zero coupon bonds and other securities	3,745	13,226	7,087	2,195	-	26,253
Receivables from banks	4,632	-	-	-	-	4,632
Receivables from customers	17,079	5,052	2,487	1,189	-	25,807
Debt securities	629	3,668	6,943	414	-	11,654
Total	56,344	21,946	16,517	3,798	-	100,298
Payables to banks	1,659	-	-	-	-	1,659
Payables to customers	50,795	6,961	772	-	-	58,528
Payables from debt securities	5,519	12,812	1,471	6,603	-	26,405
Subordinated liabilities	-	66	-	1,390	-	1,456
Other assets	6,594	492	84	-	296	7,466
Total	64,567	20,331	2,327	7,993	296	95,514
Long positions of derivatives	66,455	30,183	66,786	10,829	-	174,253
Short positions of derivatives	68,796	29,262	65,817	9,758	-	173,633
Gap	(10,564)	2,536	15,159	(3,124)	(296)	3,711
Cumulative gap	(10,564)	(8,028)	7,131	4,007	3,711	

MCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
At 31 December 2014						
Cash in hand and balances with CBs	25,566	-	-	-	1,863	27,429
State zero coupon bonds and other securities	6,389	12,055	6,640	1,123	-	26,206
Receivables from banks	15,455	800	-	-	-	16,255
Receivables from customers	18,256	3,634	411	1,160	-	23,461
Debt securities	759	4,011	4,808	954	-	10,533
Total	66,424	20,500	11,859	3,238	1,863	103,884
Payables to banks	3,119	320	-	-	-	3,439
Payables to customers	68,291	10,160	457	-	-	78,908
Payables from debt securities	4,446	3,132	3,995	2,803	-	14,376
Subordinated liabilities	-	66	-	1,389	-	1,455
Other assets	2,938	958	2	-	210	4,108
Total	78,793	14,637	4,454	4,192	210	102,286
Long positions of interest rate derivatives	42,154	36,426	5,131	5,953	-	89,665
Short positions of interest rate derivatives	41,386	33,419	6,765	6,379	-	87,949
Gap	(11,601)	8,870	5,771	(1,380)	1,653	3,313
Cumulative gap	(11,601)	(2,731)	3,040	1,660	3,313	-

The above table only includes interest rate sensitive assets and liabilities and is therefore not identical to the balances presented in the Bank's balance sheet.

Currency risk

Assets and liabilities denominated in foreign currency, including off-balance sheet exposures, represent the Bank's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the income statement.

Equity risk

Equity risk is the risk of movement in the prices of equity instruments held in the Bank's portfolio and financial derivatives derived from these instruments. The main source of this risk is trading in equity instruments. The risks associated with equity instruments are managed through trading limits. The methods used to manage these risks are described under "Risk management methods" (see Note 35 (c)).

(c) Risk management methods

The Bank's risk management focuses on managing the total net exposure resulting from the structure of the Bank's assets and liabilities. The Bank thus monitors interest rate risks by monitoring the excess of interest rate sensitive assets or liabilities in individual time periods. For hedge accounting purposes, the Bank identifies the specific assets/liabilities causing this mismatch so as to meet the criteria for applying hedge accounting.

An integral part of the market risk management system is the Asset and Liability Committee (ALCO).

Interest rate risks

The Bank monitors interest rate risks by monitoring the excess of interest rate sensitive assets or liabilities in individual time periods. The Bank uses gap analysis and portfolio sensitivity to changes in market interest rates (PVBP) to measure the interest rate sensitivity of non-trading assets and liabilities. The duration of assets or liabilities means the average time during which the Bank collects the present value of cash flows derived from individual instruments, i.e. it represents the sensitivity of the instruments to interest rate changes. The Bank also applies a set of limits for maximum losses as a result of the parallel shift of the yield curve by the defined number of basic points. The interest rate risk arising from the Bank's portfolio has been simultaneously managed using the Value at Risk method since 2008.

Currency risk

The Bank has set currency risk limits based on its net currency exposure in individual currencies. The Bank has determined currency risk limits of currency positions for individual currencies and their groups according to their importance for the Bank. Moreover, the Bank has set a capital limit for its total net currency exposure. Currency risk is also managed by the Value at Risk method.

Equity risk

In equity risk management, the Bank has set maximum limits for exposure to individual allowed equity instruments and groups of these equity instruments, and minimum collateral limits for repo transactions. By introducing a limit for its overall equity position, the Bank simultaneously limits its total exposure to equity instruments. The Bank limits the risk of excessive concentration of indirect exposures to the collateral issuer by setting maximum volumes of equity instruments accepted as hedges for repo transactions. The Bank's equity risk has been simultaneously managed using the Value at Risk method since 2008.

Value at Risk

Market risks arising from the Bank's trading activities are managed using the Value at Risk method. Value at Risk represents the potential loss arising from unfavourable market movements within a certain time period at a certain confidence level. The Bank determines Value at Risk using the stochastic simulation of a large number of scenarios of potential changes in the financial markets. Value at Risk is measured based on a one-day holding period and a confidence level of 99%. The results of this model are back-tested and compared with the actual results achieved in the financial markets on a daily basis. If the Bank identifies any inaccuracies, the model is adjusted to be in line with the current trend in the financial markets.

MCZK	31 December 2015	Average for 2015	31 December 2014	Average for 2014
VaR of interest rate instruments	18	14	13	9
VaR of currency instruments	4	2	2	2
VaR of equity instruments	7	1	-	2

Stress testing

The Bank conducts daily stress tests of interest rate, currency, equity and liquidity risks by applying historical scenarios of significant movements in the financial markets and internally defined improbable scenarios and simulating their impact on the Bank's net result. The Bank has set limits for these stress scenarios, which are part of the Bank's risk management process.

36. Financial instruments – credit risk

The Bank is exposed to credit risks resulting from its trading activities, provision of loans, hedging transactions, and investing and brokerage activities.

Credit risks associated with the Bank's trading and investing activities are managed using the methods and tools for managing the Bank's market risks.

(a) Classification of receivables

The Bank classifies receivables into individual categories and sub-categories in accordance with Implementing Decree No 163/2014 laying down prudential rules for banks, credit unions and investment firms. The classification is as follows:

Performing receivables

The Bank classifies performing receivables under the following sub-categories:

a) Standard receivables

A receivable is considered a standard receivable if the principal, interest and fees are consistently paid and are not more than 30 days overdue, none of the receivables from the debtor has been restructured in the last two years due to any deterioration in the debtor's financial situation and there is no doubt that it will be fully repaid without the Bank having to realise the collateral.

b) Watch receivables

A receivable is considered a watch receivable if the debtor's financial situation has deteriorated since the occurrence of the receivable or if the principal, interest and fees are paid with some difficulty but are no more than 90 days overdue, none of the receivables has been restructured in the last six months due to any deterioration in the debtor's financial situation and, with regard to the debtor's financial and economic situation, its full repayment is probable without the Bank having to realise the collateral.

Non-performing receivables

The Bank classifies non-performing receivables under the following sub-categories:

a) Substandard receivables

A substandard receivable is a receivable that, given the financial and economic condition of the debtor, might not be fully repaid, but is highly likely to be repaid in part without the Bank having to realise the collateral. A substandard receivable is also a receivable where the principal, interest and fees are paid with some difficulty but are no more than 180 days overdue.

b) Doubtful receivables

A doubtful receivable is a receivable that, given the financial and economic condition of the debtor, is highly unlikely to be fully repaid, but may be, and is likely to be, repaid in part without the Bank having to realise the collateral. A doubtful receivable is also a receivable where the principal, interest and fees are paid with some difficulty but are no more than 360 days overdue.

c) Loss receivables

A loss receivable is a receivable that, given the financial and economic condition of the debtor, cannot be fully repaid. The expectation is that such a receivable will not be recovered or will be recovered only in part and only in a very small amount without the Bank having to realise the collateral. A loss receivable is also a receivable where the principal, interest and fees are more than 360 days overdue. A loss receivable is also a receivable from a debtor who has been declared bankrupt, except in the case of a receivable from the estate arising after the declaration of bankruptcy.

The Bank reviews the classification of receivables under the respective categories and sub-categories every month and changes the classifications as appropriate in accordance with the results of its review.

The principal criteria for the classification of receivables are:

- the financial condition of the debtor and adherence to the agreed repayment schedule;
- provision by the debtor of the information requested by the Bank;
- restructuring (or non-restructuring) of the receivable;
- declaration of bankruptcy or composition proceedings in relation to the debtor's property.

Internal rating system for receivables using by the Bank

In addition, the Bank uses an internal rating system for receivables. This system comprises 14 categories, of which the first ten correspond to the Standard receivables sub-category as defined by Implementing Decree No 163/2014 and the others mainly correspond to the other sub-categories defined by Implementing Decree No 163/2014. The internal rating system assesses the overdue period as well as the quality of management, the market position of the debtor, the external environment, the collateral structure and financial indicators. Where this rating is stricter than the classification based on Implementing Decree No 163/2014, the stricter classification is applied.

Where an external rating of the debtor is available from a reputable rating agency (e.g. MOODY'S, STANDARD & POOR'S, Fitch), these rating results are also taken into account in assessing the debtor. However, this rating does not replace the Bank's internal rating system. When using the rating by a reputable rating agency, this rating is converted to the Bank's rating scale using a bridge specified in an internal policy of the Bank.

(b) Evaluation of collateral

Before granting a loan, the Bank generally requires collateral from certain debtors. For the purposes of calculating adjustments, the Bank considers the following types of assets to be acceptable collateral reducing the gross credit exposure:

- Cash
- Securities
- First-class receivables
- Bank guarantees
- Guarantees provided by a reputable third party
- Real estate
- Machinery and equipment
- Securing transfer of rights
- Pledged trademarks

For the purposes of calculating adjustments, the Bank determines the net realisable value of collateral based on an expert appraisal, or internal evaluation prepared by the Bank's specialist department. The net realisable value of the collateral is subsequently derived from this figure by applying a correction coefficient that reflects the Bank's ability to realise the collateral if required. The Bank regularly reviews the value of the collateral and the correction coefficients (recoverability coefficients), depending on the type of the collateral and in accordance with the internal methodology.

(c) Impairment losses and valuation adjustments

The Bank assesses individual receivables for impairment using an individual approach. The Bank does not apply the portfolio approach.

Individual approach

The Bank establishes an adjustment to an individual receivable if the receivable is impaired. Unless the Bank writes off a receivable or the part of the receivable that corresponds to the impairment loss, it establishes an adjustment to that receivable or that part of the receivable.

The Bank reviews the established adjustments for adequacy and reasonableness on a monthly basis, and revises them accordingly.

The Bank determines the impairment loss for individual receivables by coefficients.

When calculating adjustments, the Bank considers the gross book value of individual receivables reduced by the net realisable value of the collateral. In respect of these net receivables, the Bank establishes the following adjustments in accordance with Implementing Decree No 163/2014:

Standard	0%
Watch	1-19.99%
Substandard	20-49.99%
Doubtful	50-99.99%
Loss	100%

For non-performing receivables (i.e. substandard, doubtful and loss receivables), the Bank establishes full adjustments for accrued charges and penalties in accordance with Implementing Decree No 163/2014 – in calculating the adjustment, the Bank uses the principal of the receivable not increased by accrued interest income and increases the calculated loss by accrued interest income.

(d) Concentration of credit risk

The Bank has developed a system of internal limits for individual countries, industries, debtors and economically connected group of debtors in order to prevent the significant concentration of credit risk.

Sector analysis

An analysis of the concentration of credit risk by industry/sector is presented in Notes 13 (b) and (d).

Analysis by geographical area (receivables from customers)

MCZK	31.12.2015	31.12.2014
Czech Republic	8,370	8,822
Slovakia	1,946	158
Russia	2,573	2,477
Cyprus	1,073	733
Netherlands	4,148	4,140
Vietnam	727	814
Bulgaria	1,840	2,084
Maldives	1,245	1,118
Georgia	453	478
Hungary	789	573
Romania	1,180	1,085
Luxembourg	556	572
Other	907	407
Total	25,807	23,461

Analysis by geographical area (receivables from banks)

MCZK	31.12.2015	31.12.2014
Czech Republic	1,944	12,338
Slovakia	405	-
Russia	148	860
UK	1,387	1,046
Netherlands	-	859
Kazakhstan	38	304
Belarus	302	367
USA	65	208
Hungary	1	31
Germany	254	93
Other	88	149
Total	4,632	16,255

Analysis by geographical area (debt securities)

MCZK	31.12.2015	31.12.2014
Czech Republic	29,832	29,192
Luxembourg	1,760	1,147
Slovakia	-	232
France	135	2,770
Poland	-	-
Netherlands	2,286	1,495
Russian Federation	-	266
UK	374	554
Ireland	428	1,083
USA	776	-
Germany	693	-
Other	1,623	-
Total	37,907	36,739

(e) Debt recovery

The Bank has established a Restructuring and Debt Collection Department to manage receivables whose recovery is uncertain. Its activities, the conditions for submitting receivables to the department, and the debt collection process are stipulated in the Bank's internal policies.

(f) Securitisation and use of credit derivatives

The Bank had not carried out any securitisation of its receivables by the balance sheet date.

37. Financial instruments – operational and other risks

Operational risks

The Security and Operational Risk Management Department is responsible for managing and minimising operational risks, i.e. risks resulting from losses caused by deficiencies in or failures of internal processes, the human factor or systems, or from losses caused by external factors, including legal risk.

For purposes of operational risk, legal risk means the risk of a loss caused by a breach of laws, decrees, regulations, codes of conduct, internal policies, work procedures, and contractual obligations in force.

Operational risks usually cause an increase in the Bank's expenses, a decrease in the Bank's income, fines, penalties, damages, and loss of the Bank's tangible and intangible assets.

The Security and Operational Risk Management Department prepares operational risk management methodology, identifies, monitors, measures and assesses operational risks, and proposes measures to mitigate operational risks. Within the scope of operational risk management, it is also responsible for the system managing the security of information systems and monitors, measures and assesses information security, prepares methodology for the management of this security and organises operational risk training for Security and Operational Risk Management Department personnel. It is also in charge of coordinating tasks to implement corrective actions. The Security and Operational Risk Management Department coordinates the measures proposed to avoid risks, accept them, mitigate them or terminate activities associated with operational risks, and in doing so actively cooperates with the relevant departments of the Bank.

The manager or employee in charge of managing operational risks within a division or department, after identifying an operational risk, proposes and arranges the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk. In connection with this procedure, the Bank manages the access of employees, clients and other authorised persons to tangible and intangible assets, and manages the risk associated with arrangements for supplies of banking services, the launch of new products, the use of outsourcing by the Bank, etc. In proposing measures to mitigate operational risk, the Bank assesses their impact on its expenses and income.

Other risks

Legal risk management consists of minimising uncertainties relating to the enforceability and interpretation of legal acts, contracts, and legal regulations.

The Compliance Department manages the risks of legal or regulatory sanctions, financial losses and the loss of good reputation which the Bank may suffer as a result of its failure to comply with legal regulations in force, regulatory requirements, implementing regulations, internal policies and industry practices.

The Compliance Department performs activities to harmonise the Bank's internal policies and processes with external regulations, to establish preconditions for such harmonisation, to establish preconditions for the fair provision of services to customers and to refrain from giving preferential treatment to the Bank and its employees compared to customers, to prevent any conflict of interest, and to mitigate acts resulting in a breach of market transparency. It also performs and controls activities to combat money laundering and counter terrorist financing (AML-CFT) and handles claims and complaints.

Any compliance activities not performed directly by the Compliance Department but delegated to another Bank department are coordinated by the Compliance Department.

The Bank's managers are responsible for creating conditions for adherence to external regulations. They are also responsible for issuing internal policies governing the activities they are in charge of and are obliged to check whether external regulations and internal policies are observed by their subordinates.

38. Material subsequent events

The Bank's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2015.

Date of preparation: 17 March 2016

Person responsible for accounting



Růžena Šuserová

Person responsible for financial statements



Miroslav Hudec

Report on Relations

between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity for 2015

In accordance with Section 82 et seq. of Act No 90/2012 on companies and cooperatives, as amended, (“AoC”) and pursuant to Section 504 of Act No 89/2012, the Civil Code, as amended, which governs trade secrets, the Board of Directors of the controlled entity PPF banka a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 47116129, incorporated by entry in the Commercial Register maintained by the Regional Court in Prague under File No B 1834 (“the Company”) – has prepared the following report on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity (“Report on Relations”) for the accounting period from 1 January 2015 to 31 December 2015 (“the Accounting Period”):

1. Structure of relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity

According to the information of the Board of Directors, in which the Company’s governing body, to the best of its knowledge, found no incompleteness, the structure is set out in Appendix No 1 of this report on relations.

2. Role of the Company

During the Accounting Period, the Company did not adopt or implement any measures or other legal arrangements providing it with special advantages or imposing special obligations on it in the interest or on the initiative of the controlling entity or entities controlled by the same controlling entity. In terms of control, the Company benefits from no special advantages and has no special obligations vis-à-vis the controlling entity and/or entities controlled by the same controlling entity beyond those negotiated in the agreements listed in section 5 of this Report on Relations.

3. Method and means of control

The controlling entity exercises control through its ownership rights via decisions at the Company’s General Meetings (or decisions of the Company’s sole shareholder). Methods and means of controlling the Company include the Company’s articles of association and decisions of the Company’s supreme body. No special agreements exist between the Company and the controlling entity with respect to methods and means of controlling the Company.

4. Overview of actions pursuant to Section 82(2)(d) AoC

In the Accounting Period, the Company did not perform any actions on the initiative or in the interest of the controlling entity or entities controlled by it that related to assets exceeding 10% of the Company’s equity as determined from the latest financial statements.

5. Overview of mutual agreements

The Company has concluded the following agreements with the controlling entity or with entities controlled by the same controlling entity:

The following agreements have been concluded with AB 1 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 56007043:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 2 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 57279667:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 3 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 58435425:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 4 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34186049:

- Overdraft loan 90002009 contract, as amended – scope of performance: financial services
- Contract on a pledge of receivables from a bank account A/90002009 – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 5 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34192873:

- Framework Agreement on Consultancy, Cooperation and Provision of Services – scope of performance: financial services
- Contract on overdraft credit facility 90001009, as amended – scope of performance: financial services
- Agreement on a pledge of receivables from bank accounts – scope of performance: financial services
- Agreement on subordinated financing S/90001009 – scope of performance: financial services
- Subordination Agreement relating to a CZK 5 bn Contract on an O/D Credit Facility – scope of performance: financial services
- Agreement on a Variation of the Agreement on subordinated financing S/90001009 – scope of performance: financial services
- Termination Arrangement – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 6 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 58435956:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 7 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 57279241:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Accord Research, s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 29048974:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Air Bank a.s., having its registered office at Hráského 2231/25, 148 00 Praha 11 – Chodov, registration number: 29045371:

- Commission agent's contract, as amended – scope of performance: financial services
- Framework repo contract – scope of performance: financial services
- Framework treasury contract – scope of performance: financial services
- Confidentiality contract – scope of performance: financial services
- General agreement on payment and banking services, as amended – scope of performance: financial services
- Mandate contract – scope of performance: financial services
- ISDA Master Agreement, as amended – scope of performance: financial services
- Reporting Delegation Agreement – Agreement on EMIR reporting – scope of performance: other services
- Contract with an administrator + special provisions for the contract with an administrator – scope of performance: financial services
- Contract on opening and maintaining correspondent accounts – scope of performance: financial services

The following agreements have been concluded with Airline Gate 1 s.r.o., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 02973081:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ALCAMORA LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 290 379:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ALRIK VENTURES LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 318 488:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ANTHEMONA LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 289 677:

- ISDA Master Agreement, as amended – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ANTHIAROSE LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 224463:

- Framework contract on the method for negotiating conditions for carrying out deposit transactions – scope of performance: financial services
- Commission agent's contract – including appendices – scope of performance: financial services
- Agreement on the Administration of Securites, as amended – scope of performance: financial services

- Standing instruction – Agreement on the Administration of Securites – scope of performance: financial services

- Contract on the subscription and purchase of investment certificates – scope of performance: financial services

- Contract on the subscription and purchase of investment certificates – scope of performance: financial services

- Contract on the subscription and purchase of investment certificates – scope of performance: financial services

- Contract on the subscription and purchase of investment certificates – scope of performance: financial services

- ISDA Agreement, as amended – scope of performance: financial services

- Contract on the subscription and purchase of a subordinated bond – scope of performance: financial services

- Contract on the subscription and purchase of a subordinated bond (increase in the issue volume) – scope of performance: financial services

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ARANCIATA a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27621707:

- General agreement on payment and banking services, as amended – scope of performance: financial services

The following agreements have been concluded with Areál Ďáblice s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: O3762939:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Art Office Gallery a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 24209627:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ASTAVEDO LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 316 792:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Autotým, s.r.o., having its registered office at Hráského 2231/25, 148 00 Praha 11, registration number: 03040836:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bavella B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 52522911:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bestsport, a.s., having its registered office at Českomoravská 2345/17, 190 00 Praha 9, registration number: 24214795:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bestsport Services, a.s. v likvidaci, having its registered office at Českomoravská 2345/17, 190 00 Praha 9, registration number: 24215171:

- Framework contract on the issue and storage of deposit notes – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with CITY TOWER Holding a.s., having its registered office at Hvězdova 1716/2b, 140 00 Praha 4, registration number: 02650665:

- General agreement on payment and banking services – scope of performance: financial services
- Contract on the subscription and purchase of bonds – scope of performance: financial services
- Contract with an administrator – scope of performance: financial services
- Contract on the subscription and purchase of bonds – scope of performance: financial services

The following agreements have been concluded with Click Credit s.r.o., having its registered office at Nové sady 996/25, 602 00 Brno, registration number: 29378401:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Codar Invest B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 27278985:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Comcity Office Holding B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 64411761:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Czech Equestrian Team a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 01952684:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Česká telekomunikační infrastruktura a.s., having its registered office at Olšanská 2681/6, 130 00 Praha 3, registration number: 04084063:

- General agreement on payment and banking services – scope of performance: financial services
- Mandate Contract on the Arrangement of Trades in Money-Market and Derivative Investment Instruments – scope of performance: financial services
- Framework contract on trading on the financial market (EMA) – scope of performance: financial services
- Agreement on Administration – scope of performance: financial services
- Loan agreement No 30337115 – scope of performance: financial services
- Contract on a pledge of receivables from depository contract No ZBU/30337115 – scope of performance: financial services

The following agreements have been concluded with DADRIN LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 321 173:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Different Money s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 03570967:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with DOUSAVI LIMITED, having its registered office at 1075 Nicosia, Spyrou Kyprianou 18, Republic of Cyprus, registration number: HE 331 420:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Eastern Properties B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 58756566:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ELTHYSIA LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 290 356:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ENADOCO LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 316 486:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FACIPERO INVESTMENTS LIMITED, having its registered office at 1075 Nicosia, Esperidon 12, 4th floor, Republic of Cyprus, registration number: HE 232 483:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Favour Ocean Limited, having its registered office at 36/F, Tower 2, 1 Matheson Street, Ca., Hong Kong, People's Republic of China, registration number: 1065678:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FAYDE INVESTMENTS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 310 390:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FELISTON ENTERPRISES LIMITED, having its registered office at 1060 Nicosia, Afroditis 25, 2nd Floor, office 204, Republic of Cyprus, registration number: HE 152674:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FERRYMAT HOLDINGS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 313 289:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Fodina B.V., having its registered office at Strawinskyiaan 933, Amsterdam, Netherlands post code: 1077XX, registration number: 59400676:

- Commission Agreement – scope of performance: financial services
- Special Arrangements on Remuneration – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with GALIO INVESTMENTS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 310 260:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Garco Group B.V., having its registered office at Strawinskyiaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34245884:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Gen Office Gallery a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 24209881:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with German Properties B.V., having its registered office at Strawinskyiaan 933, Amsterdam, 1077XX, Netherlands, registration number: 61008664:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with GLANCUS INVESTMENTS INC., having its registered office at Road Town, Tortola, Tropic Isle Building, PO Box 3423, British Virgin Islands, registration number: 1396023:

- Commission agent's contract – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Asia N.V., having its registered office at Strawinskyiaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34253829:

- General agreement (HC ASIA) – scope of performance: financial services
- Master Agreement, as amended – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Broker, s.r.o., having its registered office at Nové sady 996/25, 602 00 Brno, registration number: 29196540:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Insurance Services s.r.o., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 1487779:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Philippines Holding B.V, having its registered office at Strawinskyiaan 933, Amsterdam, 1077XX, Netherlands, registration number: 35024270:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Hofplein Offices (Rotterdam) B.V., having its registered office at Strawinskyiaan 933, Amsterdam, 1077XX, Netherlands, registration number: 64398064:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit a.s., having its registered office at Nové sady 996/25, 602 00 Brno, registration number: 26978636:

- Framework contract on the establishment and maintenance of current investment account – scope of performance: financial services
- Contract on cooperation in performing work and providing processing and other services (HC) – scope of performance: other services
- Confidentiality contract – scope of performance: other services
- Agreement on the termination of a contract on the sublease of non-residential premises – scope of performance: other services
- Contract on the sublease of non-residential premises – scope of performance: other services
- Framework contract on performing foreign exchange spot transactions – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Asia Limited, having its registered office at 36/F Tower 2, Times Square, 1 Matheson Street, Hong Kong, People's Republic of China, registration number: 890063:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34126597:

- Framework contract on the method for negotiating conditions for carrying out deposit transactions – scope of performance: financial services
- Master Agreement – ISDA, as amended – scope of performance: financial services
- Commission Agreement – 1.12.2008 – Home Credit B.V. – scope of performance: financial services

- Agreement with the Administrator + Special Arrangement for the Agreement with the Administrator – scope of performance: financial services
 - Agreement on the Provision of an Issue of Notes – scope of performance: financial services
 - Agreement on the Provision of an Issue of Notes – scope of performance: financial services
 - Agreement with the Administrator, CZ0000000245, Home Credit B.V. – scope of performance: financial services
 - Agreement with the Administrator, CZ0000000245, as amended – scope of performance: financial services
 - Agreement on a promissory note programme arrangement – scope of performance: financial services
 - Contract on arranging a programme comprising bills of exchange – scope of performance: financial services
 - Contract on arranging a programme comprising bills of exchange – scope of performance: financial services
 - Agreement Related to a Bond Offer – scope of performance: financial services
 - Loan agreement No 30298814 – scope of performance: financial services
 - Subordination Agreement – scope of performance: financial services
 - Term Facility Agreement – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
 - Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services
- The following agreements have been concluded with Home Credit India B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 52695255:**
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Indonesia B.V., having its registered office at Strawinskylaan 933, Amsterdam, Netherlands post code: 1077XX, registration number: 52695557:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit International a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 60192666:

- Framework treasury contract – scope of performance: treasury transaction
- General agreement on payment and banking services – scope of performance: financial services
- Loan agreement, as amended – scope of performance: interest on loan
- Contract on a pledge of receivables from a bank account – scope of performance: pledged receivables

The following agreements have been concluded with Home Credit Lab N.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 52695689:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Slovakia, a.s., having its registered office at Teplická 7434/147, 921 22 Piešťany, Slovakia, registration number: 36234176:

- Framework contract on the method for negotiating conditions for carrying out deposit transactions – scope of performance: financial services
- Contract on subordinated liabilities and rights – scope of performance: financial services
- Contract on cooperation in the performance of work and the provision of processing and other services (HCS) – scope of performance: other services
- Overdraft loan 90005408 contract, as amended – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit US Holding, LLC, having its registered office at 3500 S Dupont Hwy, Dover, 19901, Delaware, United States of America, registration number: 5467913:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Vietnam Finance Company Limited, having its registered office at 1st floor, 194 Golden Building, 473 Dien Bien Phu, Ho Chi Minh, Vietnam, registration number: 0307672788:

- Loan Agreement – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with JARVAN HOLDINGS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 310 140:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with KARMION HOLDINGS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 312 004:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Langen Property B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 61012777:

- General agreement on payment and banking services – scope of performance: financial services
- Framework contract on trading on the financial market (EMA) – scope of performance: financial services

The following agreements have been concluded with LINDUS Real s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 29139309:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with LINDUS SERVICES LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 281 891:

- Contract to ensure the payment of consideration – scope of performance: financial services
- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services
- Special Arrangements on Remuneration – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with LLC Home Credit & Finance Bank, having its registered office at ul. Pravdy 8, 125 040, Russia, Moscow, registration number: 1027700280937:

- Special Bank Account Agreement – RUB – 30230810700001500001 (Shares) – scope of performance: financial services
- Agreement on the Establishment of Correspondent Relations – correspondent account in RUB No 30231810600000000009 – scope of performance: financial services
- Agreement on the Establishment of Correspondent Relations – KZT – 30113398400000000001 – scope of performance: financial services
- Master Agreement + Schedule to the 1992 Master Agreement – scope of performance: financial services
- Framework Treasury Agreement – scope of performance: financial services
- Agency Contract 37-18/005 – scope of performance: financial services
- K+ contract on Russia – scope of performance: financial services
- Depository contract – account PO 140103KSB – scope of performance: financial services
- Commission Agreement on the Provision of a Transaction in Investment Instruments – HCFB Moscow – scope of performance: financial services

- Special Bank Account Agreement – RUB – 30230810600001600001 (Bond) – scope of performance: financial services
- Agreement on Russian rouble loro account opening and maintenance procedures for a non-resident bank – Rates of Commission Charge – scope of performance: financial services
- Agreement on the Administration of Securities – scope of performance: financial services
- Contract on opening and maintaining a CZK correspondent account and terms and conditions of maintaining the account – 2005840171/6000 – Terms and Conditions for a Correspondent Account in CZK – scope of performance: financial services
- Contract on opening and maintaining a EUR correspondent account and terms and conditions of maintaining the account – 2005840200/6000 – Terms and Conditions for a Correspondent Account in EUR – scope of performance: financial services
- Contract on opening and maintaining a USD correspondent account and terms and conditions of maintaining the account – 2005840198/6000 – Terms and Conditions for a Correspondent Account in USD – scope of performance: financial services
- Uncommitted Loan Facility Agreement – scope of performance: financial services
- Agreement No 20-4-12/001 on brokerage service provision to legal entities non-resident in the RF – scope of performance: financial services
- Transfer Certificate – scope of performance: financial services
- Loan Agreement No 30073512, 30078312, 30078412, Agreement on a Pledge of Receivables and on a Future Pledge of Receivables, Reg. No R/30078412 – scope of performance: financial services
- Loan Agreement No 30125812 – scope of performance: financial services
- Agreement on Terms and Conditions for the Provision of Repository Services – scope of performance: financial services
- Cash Delivery Request and Indemnity for Acting thereupon in Respect of our Account(s) No 2005840200/6000 – scope of performance: financial services

The following agreements have been concluded with LONGORIA a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27630188:

- General agreement on payment and banking services, as amended – scope of performance: financial services

The following agreements have been concluded with MARAFLEX LIMITED, having its registered office at 1075 Nicosia, Spyrou Kyprianou 18, Republic of Cyprus, registration number: HE 203 470:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Maraflex s.r.o., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 02415852:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with MICROLIGHT TRADING LIMITED, having its registered office at 1075 Nicosia, Spyrou Kyprianou 18, Republic of Cyprus, registration number: HE 224 515:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with MIDATANER a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 29055768:

- General agreement on payment and banking services, as amended – scope of performance: financial services

The following agreements have been concluded with Millennium Tower (Rotterdam) B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 56261330:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with MOETON a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 27864561:

- Framework contract on the lease of a vehicle – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Monheim Property B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 61012521:

- General agreement on payment and banking services – scope of performance: financial services
- Framework contract on trading on the financial market (EMA) – scope of performance: financial services

The following agreements have been concluded with Montería, spol. s r.o., having its registered office at Hvězdova 1716/2b, 140 00 Praha 4, registration number: 27901998:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Moranda, a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 28171934:

- General agreement on payment and banking services – scope of performance: financial services
- Commission agent's contract on the procurement and settlement of investment instrument transactions and a contract on the administration of investment instruments – scope of performance: financial services

The following agreements have been concluded with Mystery Services s.r.o., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 24768103:

- Contract on employee meals, as amended – scope of performance: other services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with NIDALEE HOLDING LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 310 150:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with O2 Czech Republic a.s., having its registered office at Za Brumlovkou 266/2, 140 00 Praha 4, registration number: 60193336:

- General agreement on payment and banking services – scope of performance: establishment of a credit limit and establishment of accounts in CZK, EUR a USD

The following agreements have been concluded with O2 IT Services s.r.o., having its registered office at Za Brumlovkou 266/2, 140 00 Praha 4, registration number: 028 19 678:

- Bank guarantee contract No BZ/30361615 – scope of performance: financial services
- Bank guarantee contract No BZ/30367515 – scope of performance: financial services
- Bank guarantee contract No BZ/30370015 – scope of performance: financial services
- Bank guarantee contract No BZ/30369515 – scope of performance: financial services
- Bank guarantee contract No BZ/30368115 – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with O2 TV s.r.o., having its registered office at Za Brumlovkou 266/5, 140 00 Praha 4 – Michle, registration number: 03998380:

- EU – Contract on a special account for the repayment of a contribution upon the establishment of a corporation – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Office Star Eight a.s., having its registered office at Hvězdova 1716/2b, 140 00 Praha 4, registration number: 27639177:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with OJSC Home Credit Bank, having its registered office at Odoevskogo 129, Minsk, 220018, Belarus, registration number: 807000056:

- Contract on opening and maintaining a correspondent account and terms and conditions – 1897260054 – scope of performance: financial services
- Framework Treasury Agreement dated 19.03.2010 – scope of performance: financial services

The following agreements have been concluded with PPF a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 25099345:

- Contract on the provision of employee-provided meals – scope of performance: other services
- Framework contract on the lease of a vehicle – scope of performance: other services
- Contract on the use of a visual style and the provision of rights to use trademarks – scope of performance: other services
- Contract on the sublease of mobile equipment – scope of performance: other services
- Framework contract on the liquidation of data storage devices – scope of performance: financial services
- Contract on the provision of services dated 31.03.2006 – scope of performance: financial services
- Contract on the sublease of non-residential premises – PPF GATE, as amended – scope of performance: financial services
- Treasury contract PPF a. s. – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF A3 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 61684201:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF A4 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 63365391:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on Administration Related to an Offer to Purchase Shares in O2 Czech Republic a.s. – scope of performance: financial services
- Agreement on Administration Related to an Offer to Purchase Shares in Cetin – scope of performance: financial services
- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services

The following agreements have been concluded with PPF Advisory (CR) a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 25792385:

- Treasury contract – scope of performance: financial services
- Commission agent's contract on the procurement and settlement of investment instrument transactions – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Advisory (UK) Limited, having its registered office at Witan Gate House, 500-600 Witan Gate West, Milton Keynes, MK9 1SH, United Kingdom of Great Britain and Northern Ireland, registration number: 5539859:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Arena 1 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 59009187:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Arena 2 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 59029765:

- Fee Letter – scope of performance: financial services
- Mandate Contract on the Arrangement of Trades in Derivative Investment Instruments – scope of performance: financial services
- Agreement on Administration – scope of performance: financial services
- Special Arrangement on the Agreement on Administration – scope of performance: financial services
- Agreement on Administration Related to an Offer to Purchase Shares in O2 Czech Republic a.s. – scope of performance: financial services
- Special Arrangement on an Agreement on Administration Related to an Offer to Purchase Shares in O2 Czech Republic a.s. – scope of performance: financial services
- General agreement on payment and banking services 12.06.2015 – scope of performance: financial services
- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services

The following agreements have been concluded with PPF Art a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 63080672:

- Treasury contract PPF Art a. s. – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Capital Partners Fund B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 55003982:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF CO 1 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34275402:

- General agreement PPF Co1 B.V. – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF CO 2 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34275486:

- General agreement CO2 B.V. – scope of performance: financial services
- Termination Arrangement – General agreement CO2 B.V. – scope of performance: financial services
- Contract on the arrangement of a bond issue – PPF CO2 B.V. – scope of performance: financial services
- Agreement on the payment method of an issuer to an administrator in respect of the provision of a bond repayment – PPF CO2 B.V. – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF CO 3 B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34360935:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Financial Consulting s.r.o., having its registered office at Evropská 2690/17, Praha 6, 160 41, registration number: 24225657:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Financial Holdings B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 61880353:

- General agreement on payment and banking services – scope of performance: financial services
- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services

The following agreements have been concluded with PPF GATE a.s., having its registered office at Na Pankráci 1658/121, 140 21 Praha 4, registration number: 27654524, VAT number: CZ27654524:

- Contract on the sublease of non-residential premises, as amended – scope of performance: other services

The following agreements have been concluded with PPF Group N.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 33264887:

- General agreement – deposits – scope of performance: financial services
- Master Agreement, as amended – scope of performance: financial services
- Commission agent's contract – including appendices – scope of performance: financial services
- Contract on the administration of securities, as amended – scope of performance: financial services
- Agreement on a Guarantee – scope of performance: financial services
- Subordination agreement relating to a CZK 3,500,000,000 framework agreement on the provision of land and other banking products – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Healthcare N.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34308251:

- Commission agent's contract – scope of performance: financial services
- Contract on the administration of securities – scope of performance: financial services
- Contract on the assignment of a receivable – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Partners a.s. v likvidaci, having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 28515064:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF PROPERTY LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 189 164:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Real Estate Holding B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34276162:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF REAL ESTATE LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 188 089:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Real Estate s.r.o., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 27638987:

- Treasury contract – scope of performance: financial services
- Commission agent's contract – scope of performance: financial services
- Contract on the provision of services – scope of performance: financial services
- General agreement on payment and banking services, as amended – scope of performance: financial services
- Agreement on the payment of expenses associated with banking information for an audit – scope of performance: banking information for audit

The following agreements have been concluded with PPF reality a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 29030072:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF SERVICES LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 92432:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Prague Entertainment Group B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 63600757:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PT Home Credit Indonesia, having its registered office in at Plaza Oleos, 8–9th Floor, Jl. TB Simatupang 53A, 125 20, Jakarta Indonesia, registration number: 03.193.870.7-021.000:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Public Picture & Marketing a.s., having its registered office at Hvězdova 1716/2b, 140 00 Praha 4, registration number: 25667254:

- Contract on the provision of BZ No 90009006, as amended – scope of performance: financial services
- Treasury contract – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services
- Agreement on the payment of expenses associated with air tickets – scope of performance: air tickets
- Agreement on the payment of expenses associated with accommodation – scope of performance: accommodation

- Agreement on the payment of expenses associated with tickets – scope of performance: tickets

- Agreement on the payment of expenses associated with a conference fee – scope of performance: a conference fee

- Agreement on the payment of expenses associated with entrance tickets – scope of performance: entrance tickets

The following agreements have been concluded with Real Estate Russia B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 63458373:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with REDLIONE LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 178 059:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with REPIENO LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 282 866:

- Agreement on a Pledge of Receivables registration number: REC/30220313 – scope of performance: financial services

- Agreement on the Subordination of Obligations and Rights Reg. No S/30220313 – scope of performance: financial services

- Loan Agreement Registration Number: 30220313 – scope of performance: financial services

- Internet banking contract – scope of performance: financial services

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with RHASKOS FINANCE LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 316 591:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with RobbyNet s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 01408437:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Ruconfin B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 55391176:

- Framework agreement on consultancy, cooperation and provision of services, as amended – scope of performance: financial services
- ISDA Master Agreement, as amended – scope of performance: financial services
- Mandate contract on arrangement of trades in money market instruments – scope of performance: financial services
- Subordination agreement relating to a CZK 3,500,000,000 framework agreement on provision of land and other banking products – scope of performance: financial services
- Agreement on a pledge of receivables from a bank account reg. no. ZBU/30034911, as amended – scope of performance: financial services
- Framework agreement on the provision of a loan and other banking products reg. no. 30034911, as amended – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with RYAZAN INVESTORS COMPANY LIMITED, having its registered office at 1087 Nicosia, Esperidon 12, 4th Floor, Republic of Cyprus, registration number: HE 180 968:

- General agreement on payment and banking services – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SALEMONTA LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 161 006:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Sargantos management a.s., having its registered office at Za Brumlovkou 266/2, 140 00 Praha 4, registration number: 04071336:

- Contract on a special account for the repayment of a contribution upon the establishment of a corporation – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SEPTUS HOLDING LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 316 585:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SOTIO a.s., having its registered office at Jankovcova 1518/2, 170 00 Praha 7, registration number: 24662623:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Sotio N.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 34302290:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with STEPHOLD LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 221 908:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with STINCTUM HOLDINGS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 177 110:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Sundown s.r.o., having its registered office at Radimovice 26, 251 69 Petřikov, registration number: 24260479:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SYLANDER CAPITAL LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 316 597:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TALPA ESTERO LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 316 502:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TANAINA HOLDINGS LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 318 484:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TAPADEO LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 341 777:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TELISTAN LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 341 864:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TENACITY LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 180 866:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TIMEWORTH HOLDINGS LTD. , having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 187 475:

- Master Agreement, as amended – scope of performance: financial services
- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TOLESTO LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 322 834:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Trigon Berlin B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 55440916:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Trigon II B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 56068948 :

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Trigon II B.V., having its registered office at Strawinskylaan 933, Amsterdam, 1077XX, Netherlands, registration number: 56068948:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TROMSON ENTERPRISES LIMITED, having its registered office in the Republic of Cyprus, 1087 Nicosia, Esperidon 12, 4 floor, registration number: 233665:

- General agreement on payment and banking services – scope of performance: financial services
- Internet banking contract – scope of performance: financial services

The following agreements have been concluded with VALMARIE HOLDINGS LIMITED, having its registered office at 1075 Nicosia, Spyrou Kyprianou 18, Republic of Cyprus, registration number: HE 300 697:

- General agreement on payment and banking services – scope of performance: financial services
- Internet banking contract – scope of performance: financial services

The following agreements have been concluded with VELTHEMIA LIMITED, having its registered office at 1075 Nicosia, Spyrou Kyprianou 18, Republic of Cyprus, registration number: HE 282 891:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Vítězné náměstí a.s., having its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 28511441:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with WAIPA ENTERPRISES LIMITED, having its registered office at 1066 Nicosia, Themistokli Dervi, 48, Office 603, 6th Floor, Republic of Cyprus, registration number: HE 213 047:

- General agreement on payment and banking services – scope of performance: financial services

6. Assessment of whether the Company incurred damage and assessment of settlement thereof pursuant to Sections 71 and 72 AoC

All actions described in section 4 of this Report on Relations were performed, and all agreements described in section 5 of this Report on Relations were concluded, on an arm's-length basis. Similarly, all supplies under these agreements were provided and received on an arm's-length basis. The Company incurred no damage as a result of these actions and agreements.

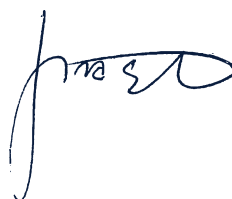
In the Accounting Period, there were no instances of an influential entity or the controlling entity influencing the Company's actions that would result in the Company's actions being decisively and significantly influenced to its detriment. The Company incurred no damage and no assessment of damage settlement within the meaning of Sections 71 and 72 AoC is thus necessary.

Upon a thorough assessment of the Company's role vis-à-vis the controlling entity and entities controlled by the same controlling entity, the Company's Board of Directors declares that relations between the Company and the controlling entity and/or entities controlled by the same controlling entity result in no special advantages or disadvantages for the Company.

The Company's role vis-à-vis the controlling entity and entities controlled by the same controlling entity has posed no risk to the Company. Stating whether, how and when damage was or will be settled (within the meaning of Sections 71 and 72 AoC) is thus not necessary.

The Report on Relations has been prepared to the best of the auditor's knowledge, gained from available supporting materials and documents, and with due managerial care. The information contained in this Report on Relations is accurate and complete.

Prague, 27 March 2016



Petr Jirásko

Chairman of the Board of Directors of PPF banka a.s.



Pavel Fuchs

Vice-Chairman of the Board of Directors of PPF banka a.s.

Appendix 1 – Structure of relations within the PPF Group

List of companies directly or indirectly controlled by the same controlling entity

Controlling entity (person): Petr Kellner

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
AB 1 B.V.	56007043	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 2 B.V.	57279667	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 3 B.V.	58435425	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 4 B.V.	34186049	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 5 B.V.	34192873	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 6 B.V.	58435956	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 7 B.V.	57279241	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
Accord Research, s.r.o.	29048974	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
Air Bank a.s.	29045371	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Airline Gate 1 s.r.o.	02973081	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
ALCAMORA LIMITED	HE 290 379	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
ALMONDSEY LIMITED	HE 291 856	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
ALRIK VENTURES LIMITED	HE 318 488	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
ANTHEMONA LIMITED	HE 289 677	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
ANTHIAROSE LIMITED	HE 224 463	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
ARANCIATA a.s.	27621707	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1 Dec 2015	WAIPA ENTERPRISES LIMITED

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Areál Dáblice s.r.o.	03762939	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 2 Feb 2015	Office Star Nine s.r.o.
Art Office Gallery a.s.	24209627	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
ASTAVEDO LIMITED	HE 316 792	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Autotým, s.r.o.	03040836	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.
B2S Servisní, a.s.	19013825	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Bestsport Services, a.s. in liquidation	24215171	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
Bestsport, a.s.	24214795	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
BORACORA LIMITED	HE 251 936	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC., FIGERA LIMITED
Boryspil Project Management Ltd.	34999054	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Pharma Consulting Group Ltd.
Bucca Properties Ltd.	1377468	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
CAPERTON HOLDINGS LIMITED	HE 173 977	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Corvus Services Limited
Celestial Holdings Group Limited	1471389	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CF Commercial Consulting (Beijing) Limited	78860280-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
CITY TOWER Holding a.s.	02650665	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CITY TOWER, a.s.	27103251	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		CITY TOWER Holding a.s.
CJSC "Intrust NN"	1065259035896	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		STINCTUM HOLDINGS LIMITED

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
CJSC "Investments trust"	1037739865052	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		FELISTON ENTERPRISES LIMITED
Click Credit s.r.o.	29378401	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 31 Aug 2015	Home Credit B.V.
Codar Invest B.V.	27278985	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIA ROSE LIMITED
Comcity Office Holding B.V.	64411761	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 26 Oct 2015	PPF Real Estate Holding B.V.
Corvus Services Limited	1061050	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
Czech Equestrian Team a.s.	01952684	Czech Republic	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		SUNDOWN FARMS LIMITED
CZECH TELECOM Austria GmbH	229578s	Austria	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
CZECH TELECOM Germany GmbH	HRB 51503	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
Česká telekomunikační infrastruktura a.s.	04084063	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF A4 B.V.
DADRIN LIMITED	HE 321 173	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
De Reling (Droten) B.V.	58164235	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
DELIFLEX LIMITED	HE 221 768	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Different Money s.r.o.	03570967	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.
DONMERA LIMITED	HE 204 966	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 1 Dec 2015	PPF Group N.V.
DOUSAVI LIMITED	HE 331 420	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V.
Eastern Properties B.V.	58756566	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Easy Dreams Company Limited	304583265	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest	until 8 Feb 2015	Home Credit International a.s.
ELDORADO LICENSING LIMITED	HE 144 889	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		LLC Eldorado

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
ELTHYSIA LIMITED	HE 290 356	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
ENADOCO LIMITED	HE 316 486	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ETO LICENSING LIMITED	HE 179 386	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		FACIPERO INVESTMENTS LIMITED
EusebiusBS (Arnhem) B.V.	58169778	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	Hong Kong	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
FAYDE INVESTMENTS LIMITED	HE 310 390	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
FELISTON ENTERPRISES LIMITED	HE 152 674	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTO LIMITED
FERRYMAT HOLDINGS LIMITED	HE 313 289	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
FIGERA LIMITED	HE 251 908	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Foreign Insurance Closed Joint Stock Company "PPF Insurance"	806000245	Belarus	Entity controlled by the same controlling entity by means of an ownership interest		SEPTUS HOLDING LIMITED, TALPA ESTERO LIMITED, RHASKOS FINANCE LIMITED, SYLANDER CAPITAL LIMITED, ENADOCO LIMITED, ASTAVEDO LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
GALIO INVESTMENTS LIMITED	HE 310 260	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
Garco Group B.V.	34245884	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC.
Gen Office Gallery a.s.	24209881	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
GIM Invest Co Limited	109594	Jersey	Entity controlled by the same controlling entity by means of an ownership interest	tuntil 11 Dec 2015	PPF Group N.V.
GLANCUS INVESTMENTS INC.	1396023	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
GRACESPRING LIMITED	HE 208 337	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Grandview Resources Corp.	1664098	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V.
Guangdong Home Credit Financing Guarantee Co., Ltd	76732894-1	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
HC Asia N.V.	34253829	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HC Broker, s.r.o.	29196540	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit a.s.
HC Consumer Finance Philippines, Inc	CS 201301354	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
HC Insurance Services s.r.o.	1487779	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HC Philippines Holding B.V.	35024270	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
Hofplein Offices (Rotterdam) B.V.	64398064	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 23 Oct 2015	PPF Real Estate Holding B.V.
Home Credit a.s.	26978636	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Asia Limited	890063	Hong Kong	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
Home Credit B.V.	34126597	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holding B.V.
Home Credit Business Management (Tianjin) Co., Ltd.	67596220-8	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
Home Credit Consumer Finance (China) Co., Ltd	63606746-2	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Egypt Trade S.A.E.	50614	Egypt	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
HOME CREDIT EUROPE PLC	7744459	United Kingdom of Great Britain and Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Home Credit India B.V.	52695255	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC047448	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V.
Home Credit Indonesia B.V.	52695557	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
Home Credit International a.s.	60192666	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Lab N.V.	52695689	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Slovakia, a.s.	36234176	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit US Holding, LLC	5467913	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit US, LLC	5482663	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit US Holding
Home Credit Vietnam Finance Company Limited	0307672788	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HOPAR LIMITED	HE 188 923	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
INTELCES s.r.o.	03495663	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Internethome, s.r.o.	24161357	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
JARVAN HOLDINGS LIMITED	HE 310 140	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., FIGERA LIMITED
JH Media Services Plus s.r.o.	04002423	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 18 Dec 2015	Bestsport, a.s.
Johan H (Amsterdam) B.V.	58163239	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Joint Stock Company "Gorod Molodogo Pokolenija"	1027700473756	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
Joint Stoct Company "Sibzavod Centre"	1035501017221	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Trust – Invest

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
JONSA LIMITED	HE 275 110	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited, FIGERA LIMITED
JSC Yugo – Vostochnaya promyshlennaya kompaniya “KARTONTARA”	1037700008895	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
JSC Home Credit Kazakhstan	70-700-1910-AO	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
KARMION HOLDINGS LIMITED	HE 312 004	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Karperstraat (Amsterdam) B.V.	58163883	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Karta Realty Limited	MC 167710	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest	until 2 Nov 2015	VELTHEMIA LIMITED
Langen Property B.V.	61012777	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
LINDUS Real s.r.o.	29139309	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
LINDUS SERVICES LIMITED	HE 281 891	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
LLC Alfa South	1077760158618	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GRACESPRING LIMITED
LLC Alians R	1086627000635	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED, LLC Charlie Com
LLC Bonus Center Operations	1127746491861	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
LLC BRAMA	1107746950431	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Bryanskii Torgovij Centr-Invest	1063250034385	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Collect Credit	36726094	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
LLC DELTA	5077746981637	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 26 May 2015	STEPHOLD LIMITED
LLC Delta Com	1137746330358	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED, LLC Charlie Com

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V.
LLC El Logistic	1020201302472	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 22 May 2015	TAPADEO LIMITED
LLC Eldomarket	1045002950354	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Eldorado, FACIPERO INVESTMENTS LIMITED
LLC Eldorado	5077746354450	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		FACIPERO INVESTMENTS LIMITED
LLC Ellin	1021601767395	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Invest Realty
LLC ERKO	1044702180863	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Joint Stock Company "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		FAYDE INVESTMENTS LIMITED
LLC Financial Innovations	1047796566223	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
LLC Home Credit & Finance Bank	1027700280937	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V., Home Credit International a.s.
LLC Home Credit Insurance	1027739236018	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V
LLC Home Credit Online	1157746587943	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 30 Jun 2015	Home Credit Lab N.V.
LLC HOMER SOFTWARE HOUSE	35364346	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		REDLIONE LIMITED, Home Credit B.V.
LLC Charlie Com	1137746330336	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED, LLC Almondsey
LLC ICC Klokovo	1127746186501	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	not part of the group from 1 Feb 2015 to 29 Dec 2015	LLC Rutar Invest
LLC In Vino	1052309138628	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Alfa South
LLC IN VINO – ANAPA – 2	1072301000200	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC IN VINO HOLDING
LLC IN VINO HOLDING	7734565173	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		UNDERTREA HOLDINGS LIMITED
LLC In Vino Natukhaevskoe	1052309081880	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC IN VINO HOLDING

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Invest Realty	1057746212666	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Eldorado, FACIPERO INVESTMENTS LIMITED
LLC K-Development	1077760004629	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GALIO INVESTMENTS LIMITED
LLC Kvartal Togliatti	1056320172567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
LLC LB Orel	1135749000793	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC EASTERN PROPERTIES RUSSIA, LLC LB Voronezh
LLC LB Voronezh	1133668033872	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC EASTERN PROPERTIES RUSSIA, LLC LB Orel
LLC Logistics – A	1115048002156	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ELTHYSIA LIMITED, FIGERA LIMITED
LLC Logistika – Ufa	1150280069477	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 18 Nov 2015	TAPADEO LIMITED
LLC Microfinance organisation Home Credit Express	1027700280640	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
LLC Mitino Sport City	1107746473383	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		MICROLIGHT TRADING LIMITED
LLC PPF Life Insurance	1027739031099	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V., Grandview Resources Corp.
LLC RAV Agro Orel	1115741001496	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC RAV Agro Penza	1115802001765	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC RAV Agro Pro	1033600135557	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro, LLC RAV Molokoproduct
LLC RAV Molokoproduct	1083627001567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro, Bavella B.V., Grandview Resources Corp.
LLC RAV Myasoproduct	111366805110	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 23 Dec 2015	Bavella B.V., Grandview Resources Corp.

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC RAV Myasoproduct - Orel	1037739865052	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Molokoproduct
LLC RAV Niva	1023601232522	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC RAV Niva Orel	1113668051090	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 15 Jun 2015	VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF REAL ESTATE LIMITED
LLC Rentol	1027700403500	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Eldorado, FACIPERO INVESTMENTS LIMITED
LLC ROKO	5107746049329	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC ROST Agro	1103601000030	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Ruskij Val	1057749715759	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 1 Feb 2015	LLC DELTA
LLC Rutar Invest	1137746325640	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 29 Dec 2015	STEPHOLD LIMITED
LLC Skladi 104	5009049271	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GABELLI CONSULANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 2 Jul 2015	Trigon II B.V.
LLC Sotio	1117746901502	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Sotio	EIN 35-2424961	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Spectrum	1097746356806	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		NIDALEE HOLDING LIMITED
LLC Stabilnost	5087746280200	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 21 Dec 2015	VELTHEMIA LIMITED
LLC Strata	7702765300	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
LLC Stroyinvest	1056320172611	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Kvartal Togliatti

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC TGK – Trilogy	1155027001030	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 23 Jul 2015	LLC PPF Real Estate Russia
LLC TK Donskoe	1056102003715	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Trust – Invest
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Tower	1117746550020	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Trade center “Permskiy”	1087746243694	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Eldorado, FACIPERO INVESTMENTS LIMITED
LLC Trust – Invest	1057746391306	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Uhrozhay	1063627011910	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Yug
LLC Yug	1083627001567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC LB Voronezh
LONGORIA a.s.	27630188	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1 Dec 2015	WAIPA ENTERPRISES LIMITED
LvZH (Rijswijk) B.V.	58163999	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Mapleridge Development Limited	1668985	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
MARAFLEX LIMITED	HE 203 470	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 18 Dec 2015	Maraflex s.r.o.
Maraflex s.r.o.	02415852	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
MIDATANER a.s.	29055768	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1 Dec 2015	WAIPA ENTERPRISES LIMITED
Millennium Tower (Rotterdam) B.V.	56261330	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
MINIFLEX LIMITED	HE 221 915	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
MOETON a.s.	27864561	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Monheim Property B.V.	61012521	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Monchyplein (Den Haag) B.V.	58163603	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Montería, spol. s r.o.	27904423	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
Moranda, a.s.	28171934	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Mystery Services s.r.o.	24768103	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
NACUDU LIMITED	HE 254 166	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Net Gate s.r.o.	24765651	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
NIDALEE HOLDING LIMITED	HE 310 150	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
O2 Business Services, a.s.	500 87 487	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 15 Dec 2015	O2 Slovakia s.r.o.
O2 Czech Republic a.s.	60193336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Arena 2 B.V., PPF A3 B.V.
O2 Family s.r.o.	24215554	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 IT Services s.r.o.	02819678	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 Slovakia, s.r.o.	35 848 863	Slovak Republik	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 TV s.r.o.	03998380	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 16 Apr 2015	O2 Czech Republic a.s.
Office Star Eight a.s.	27639177	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
Office Star Five, spol. s r.o.	27639185	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		TENACITY LIMITED
Office Star Nine, spol. s r. o.	27904385	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
Office Star Two, spol. s r.o.	27639169	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		TENACITY LIMITED

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
OJSC Home Credit Bank	807000056	Belarus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ORIBASE Pharma SAS	499 824 670	France	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
PACHATA LIMITED	HE 188 914	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIA ROSE LIMITED
Pharma Consulting Group Ltd.	34529634	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		HOPAR LIMITED, FIGERA LIMITED
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
PPF a.s.	25099345	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF A3 B.V.	61684201	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF A4 B.V.	63365391	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 22 May 2015	PPF Group N.V.
PPF Advisory (CR) a.s.	25792385	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Advisory (UK) Limited	5539859	United Kingdom of Great Britain and Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF ADVISORY (UKRAINE) LIMITED	HE 162 172	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Arena 1 B.V.	59009187	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Arena 2 B.V.	59029765	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Arena 1 B.V.
PPF Art a.s.	63080672	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
PPF banka a.s.	47116129	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holding B.V.
PPF Capital Partners Fund B.V.	55003982	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF CO 1 B.V.	34275402	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF CO 2 B.V.	34275486	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	until 31 Dec 2015	PPF Group N.V.
PPF CO 3 B.V.	34360935	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Financial Consulting s.r.o.	24225657	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
PPF Financial Holdings B.V.	61880353	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF FO Management B.V.	34186296	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Holdings S.á r.l.
PPF GATE a.s.	27654524	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner, PPF Holdings B.V.
PPF Healthcare N.V.	34308251	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Holdings B.V.	34186294	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Holdings S.á r.l.
PPF Holdings S.á r.l.	B 186335	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
PPF HOME CREDIT IFN S.A.	23668948	Romania	Entity controlled by the same controlling entity by means of an ownership interest	until 22 Oct 2015	Home Credit B.V.
PPF Partners 1 GP Limited	49291	Guernsey	Entity controlled by the same controlling entity by means of an ownership interest		PPF Partners Limited
PPF Partners a.s. v likvidaci	28515064	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s
PPF Partners Limited	49292	Guernsey	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF PROPERTY LIMITED	HE 189 164	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC., FIGERA LIMITED
PPF Real Estate Holding B.V.	34276162	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF REAL ESTATE LIMITED	HE 188 089	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Real Estate s.r.o.	27638987	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF reality a.s.	29030072	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF RUSSIA LIMITED	HE 172 467	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF SECRETARIAL LIMITED	HE 340 708	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 12 Feb 2015	PPF SERVICES LIMITED
PPF SERVICES LIMITED	HE 92 432	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Prague Entertainment Group B.V.	63600757	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 26 Jun 2015	PPF Group N.V.
PT Home Credit Indonesia	03.193.870.7-021.000	Indonesia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
RAVENSBORNE LIMITED	HE 188 284	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Real Estate Russia B.V.	63458373	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 5 Jun 2015	PPF Real Estate Holding B.V.
REDLIONE LIMITED	HE 178 059	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
REPIENO LIMITED	HE 282 866	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., GLANCUS INVESTMENTS INC.
Retail Star 22, spol. s r.o.	24132161	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., FIGERA LIMITED
Retail Star 3, spol. s r.o.	24120031	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 23 Sep 2015	PPF Real Estate Holding B.V.
RHASKOS FINANCE LIMITED	HE 316 591	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
RobbyNet s.r.o.	01408437	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Ruconfin B.V.	55391176	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
RYAZAN INVESTORS COMPANY LIMITED	HE 180 968	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC.
RYAZAN SHOPPING MALL LIMITED	HE 180 951	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		RYAZAN INVESTORS COMPANY LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Saint World Limited	1065677	Hong Kong	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SALEMONTO LIMITED	HE 161 006	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
Sargantos management a.s.	04071336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 6 Aug 2015	O2 Czech Republic a.s.
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
SEPTUS HOLDING LIMITED	HE 316 585	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Settembre Holdings Limited	1449898	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
Seven Assets Holding B.V.	58163050	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Shenzhen Home Credit Financial Service Co., Ltd.	79663852-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Favour Ocean Limited
Shenzhen Home Credit Number One Consulting Co., Ltd.	66417425-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
Sichuan Home Credit Financing Guarantee Co., Ltd.	66046758-9	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SILINE CONSULTING LIMITED	HE 281 961	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
SILLERUD LIMITED	HE 224 392	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Slovak Trade Company, s.r.o.	36659061	Slovak Republik	Entity controlled by the same controlling entity by means of an ownership interest		SILINE CONSULTING LIMITED
SOTIO a.s.	24662623	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
Sotio N.V.	34302290	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Standish Holdings Ltd.	1870560	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 28 Apr 2015	PPF Real Estate Holding B.V.
STEPHOLD LIMITED	HE 221 908	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
STINCTUM HOLDINGS LIMITED	HE 177 110	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTO LIMITED
SUNDOWN FARMS LIMITED	HE 310 721	Republic of Cyprus	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		Vixon Resources Limited, Chelton Properties Limited
Sundown s.r.o.	24260479	Czech Republic	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		SUNDOWN FARMS LIMITED
SYLANDER CAPITAL LIMITED	HE 316 597	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
TALPA ESTERO LIMITED	HE 316 502	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
TANAINA HOLDINGS LIMITED	HE 318 484	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
TANFORD LIMITED	HE 167 324	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
TAPADEO LIMITED	HE 341 777	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 15 Apr 2015	KARMION HOLDINGS LIMITED, FIGERA LIMITED
TELISTAN LIMITED	HE 341 864	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 24 Mar 2015	Eastern Properties B.V.
TENACITY LIMITED	HE 180 866	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., FIGERA LIMITED
TIMEWORTH HOLDINGS LTD.	HE 187 475	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
TOLESTO LIMITED	HE 322 834	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., FIGERA LIMITED
Trigon Berlin B.V.	55440916	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trigon II B.V.	56068948	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
TROMSON ENTERPRISES LIMITED	233665	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
UNDERTREA HOLDINGS LIMITED	HE 221 285	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
UNILEAVE LIMITED	HE 179 204	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
VALMARIE HOLDINGS LIMITED	HE 300 697	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Corvus Services Limited

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
VELTHEMIA LIMITED	HE 282 891	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		REPIENO LIMITED
Vítězné náměstí a.s.	28511441	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Vixon Resources Limited	144 18 84	British Virgin Islands	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		Ing. Petr Kellner (jednáním ve shodě)
WAIPA ENTERPRISES LIMITED	HE 213 047	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 1 Dec 2015	PPF Real Estate Holding B.V.
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
WOODBERRY LIMITED	HE 181 999	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited

Basic Consolidated Financial Figures

(consolidated under International Financial Reporting Standards – IFRS)

Profit before tax development (CZK millions)

2010	807
2011	761
2012	1,146
2013	757
2014	1,022
2015	1,443

Total assets development (CZK millions)

2010	54,166
2011	67,064
2012	77,064
2013	105,047
2014	108,884
2015	103,517

Basic consolidated financial figures

according to International Financial Reporting Standards (IFRS)

MCZK	2015	2014
Assets		
Cash and balances with the central bank	31,942	32,129
Trading assets	13,622	13,842
Financial assets available for sale	26,176	26,755
Loans and advances to banks	4,664	11,579
Loans and advances to customers	26,276	24,140
Other assets	837	439
Total assets	103,517	108,884
Liabilities		
Deposits from banks	1,658	3,437
Deposits from customers	58,440	78,808
Debt securities issued	19,552	8,793
Trading liabilities	8,066	7,328
Subordinated liabilities	2,041	2,118
Issued capital	769	769
Other components of equity	6,538	5,203
Other liabilities and provisions	6,453	2,428
Total Liabilities	103,517	108,884
Income statement		
Net interest income	2,645	3,859
Net fee and commission income	226	243
Net trading income	354	(236)
General administrative expenses	(736)	(658)
Impairment (loss)/reversal	(939)	(2,075)
Other operating expenses	(107)	(111)
Income tax expense	(290)	(195)
Profit or loss for the year	1,153	827
Basic ratio figures		
Classified client loans/total client loans	30.77%	26.70%
Capital adequacy	14.56%	14.25%
ROAA	1.09%	0.76%
ROAE	17.37%	14.27%
Assets per employee (CZK millions)*	503	547
Administrative expenses per employee (CZK millions)*	4	3
Net profit per employee (CZK millions)*	6	4

* according to CNB methodology

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of PPF banka a.s.

We have audited the accompanying consolidated financial statements of PPF banka a.s. prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about PPF banka a.s. is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of PPF banka a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing, and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PPF banka a.s. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Information

Other information is defined as information (other than the consolidated financial statements and our auditor's report) included in the consolidated annual report. The statutory body is responsible for other information.

Our opinion on the consolidated financial statements of PPF banka a.s. as at 31 December 2015 does not cover other information and we do not express any form of opinion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read other information and, in doing so, consider whether other information included in the consolidated annual report is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, whether the consolidated annual report is prepared in accordance with applicable legislation and whether such information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Prague, 11 April 2016

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71



Jindřich Vašina
Partner
Registration number 2059

Consolidated Financial Statements

for the Year Ended 31 December 2015 according to International Financial Reporting Standards (IFRS)

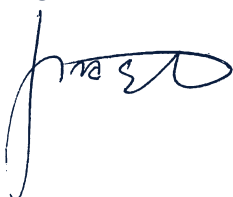
Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

MCZK	Note	2015	2014
Interest and similar income	6	3,351	4,643
Interest expense and similar charges	6	(706)	(784)
Net interest income		2,645	3,859
Dividend income	7	2	-
Fee and commission income	8	276	299
Fee and commission expense	8	(50)	(56)
Net fee and commission income		226	243
Net trading income	9	352	(236)
Other operating income	11	1	2
Operating income		3,226	3,868
General administrative expenses	12	(736)	(658)
Impairment (loss)/reversal	25	(939)	(2,075)
Other operating expenses	13	(108)	(113)
Operating expenses		(1,783)	(2,846)
Profit before income tax		1,443	1,022
Income tax expense	22	(290)	(195)
Net profit for the year		1,153	827
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(5)	(17)
Fair value reserve (AFS financial assets):		231	81
Net change in fair value		169	185
Net amount transferred to profit or loss		62	(104)
Related tax		(44)	(17)
Other comprehensive income for the period		182	47
Total comprehensive income for the period		1,335	874

The notes on pages 123 to 174 are an integral part of these consolidated financial statements.
The consolidated financial statements were approved by the Board of Directors on 17 March 2016.

Signed on behalf of the Board of Directors by:



Petr Jirásko



Pavel Fuchs

Consolidated Statement of Financial Position

as at 31 December 2015

MCZK	Note	2015	2014
Assets			
Cash and balances with the central bank	14	31,942	32,129
Trading assets	15	13,622	13,842
Financial assets available for sale	16	26,176	26,755
Loans and advances to banks	17	4,664	11,579
Loans and advances to customers	18	26,276	24,140
Income tax receivables		-	44
Property, plant and equipment	20	30	26
Intangible assets	21	53	52
Other assets	24	754	317
Total assets		103,517	108,884
Liabilities			
Deposits from banks	26	1,658	3,437
Deposits from customers	27	58,440	78,808
Debt securities issued	28	19,552	8,793
Trading liabilities	29	8,066	7,328
Income tax liabilities	30	109	2
Deferred tax liabilities	22	132	83
Other liabilities and provisions	31	6,212	2,343
Subordinated liabilities	32	2,041	2,118
Total liabilities		96,210	102,912
Shareholders' equity			
Issued capital	34	769	769
Share premium	34	412	412
Retained earnings		5,655	4,502
Foreign currency translation differences for foreign operations	35	(23)	(18)
Fair value reserve	35	494	307
Total shareholders' equity		7,307	5,972
Total liabilities and shareholders' equity		103,517	108,884

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

MCZK	2015	2014
Cash flows from operating activities		
Profit before income tax	1,443	1,022
Adjustments for:		
Depreciation and amortisation	32	47
Foreign exchange gain/loss	174	(1,995)
Net impairment loss on investment securities	15	-
Net impairment loss on loans and advances	939	2,075
Net interest income	(2,645)	(3,859)
Revaluation of financial assets and liabilities through profit and loss	(436)	(468)
Net gain/loss on the sale of available-for-sale securities	68	232
Dividends on available-for-sale securities	(2)	-
Other adjustments	201	(175)
	(211)	(3,121)
Changes in:		
Balances with central bank	170	357
Trading assets	1,132	(5,708)
Loans and advances to banks	6,739	10,616
Loans and advances to customers	(2,515)	6,610
Other assets	(435)	(42)
Trading liabilities	(239)	148
Deposits from banks	(1,768)	1,694
Deposits from customers	(20,134)	3,691
Other liabilities and provisions	3,873	622
	(13,388)	14,687
Interest received	3,545	4,392
Interest paid	(684)	(632)
Income taxes paid	(90)	(211)
Net cash used in operating activities	(10,617)	18,416
Cash flow from investing activities		
Acquisition of investment securities	(20,080)	(8,773)
Proceeds from sale of investment securities	20,967	1,449
Acquisition of property and equipment	(31)	(5)
Acquisition of intangible assets	(36)	(34)
Net cash used in investing activities	820	(7,363)
Cash flow from financing activities		
Proceeds from issue of debt securities	33,672	26,464
Repayment of debt securities	(23,136)	(29,540)
Net cash from financing activities	10,536	(3,076)
Net increase/(decrease) in cash and cash equivalents	739	7,977
Cash and cash equivalents at 1 January	30,671	22,665
Effect of exchange rate fluctuations on cash and cash equivalents held	30	29
Cash and cash equivalents at 31 December (see Note 40 (f))	31,440	30,671

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

MCZK	Issued capital	Share premium	Statutory reserve fund	Translation reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2015	769	412	-	(18)	307	4,502	5,972
Total comprehensive income for the period							
Profit for 2015	-	-	-	-	-	1,153	1,153
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	-	(5)	-	-	(5)
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	-	187	-	187
Total comprehensive income for the period	769	412	-	(23)	494	5,655	7,307
Transactions with owners, contribution and distribution to owners							
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2015	769	412	-	(23)	494	5,655	7,307
Balance at 1 January 2014	769	412	154	(1)	243	3,521	5,098
Total comprehensive income for the period							
Profit for 2014	-	-	-	-	-	827	827
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	-	(17)	-	-	(17)
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	-	64	-	64
Transfers	-	-	(154)	-	-	154	-
Total comprehensive income for the period	769	412	-	(18)	307	4,502	5,972
Transactions with owners, contribution and distribution to owners							
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2014	769	412	-	(18)	307	4,502	5,972

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

1. Introduction

PPF banka a.s. (“the Bank”) was established on 31 January 1995 as the successor to the former ROYAL BANKA CS, a.s. (operating on the market from 3 December 1992) by a resolution of the Prague City Council in order to create a strong financial partner for cities and municipalities.

The Bank is registered in the Commercial Register as a joint-stock company with the following scope of business:

– execution of banking transactions and provision of banking services in the Czech Republic and abroad to the extent permitted by relevant legislation and the licence granted by the Czech National Bank. The Bank may acquire interests in other companies both in the Czech Republic and abroad, including non-financial service companies.

On 23 June 2004, the shareholders of the Bank decided to change the name of První městská banka, a.s. to PPF banka a.s. The change of name to PPF banka a.s. was recorded in the Commercial Register on 1 September 2004.

The ultimate controlling entity of the Bank is PPF Group N.V., registered in the Netherlands.

Registered office of the Bank:

PPF banka a.s.
Evropská 2690/17
160 41 Praha 6
Czech Republic

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

3. Significant accounting policies

(a) Basis of preparation

The financial statements are presented in Czech crowns, which is the Bank’s functional currency, rounded to the nearest million. The financial statements are prepared on the historical cost basis except for derivative financial instruments, financial assets and liabilities at fair value through profit or loss, and available-for-sale assets.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements concerning the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year.

In 2009, the Bank acquired two subsidiaries: PPF B1 B.V. and PPF B2 B.V. In 2012, the Bank sold these participations. On 21 May 2012, the Bank established the subsidiary Ruconfin B.V., in which it holds a 100% ownership, followed on 13 February 2012 by the subsidiary PPF Financial Consulting, s.r.o., in which it also has a 100% ownership; on 25 June 2012, the Bank acquired a 100% stake in Net Gate, s.r.o. On 6 May 2014, the Bank established the subsidiary Airline Gate, s.r.o., in which it holds a 100% ownership. Consequently, the Bank prepares consolidated financial statements.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the presentation currency of the Bank at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the presentation currency at the foreign exchange rate ruling at the dates that the values were determined.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Czech crowns at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated to Czech crowns at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the currency translation reserve in equity.

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial consolidated statements of foreign operations.

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are those acquired or incurred principally for the purpose of selling or repurchasing in the near term or those that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking (financial instruments held for trading), or instruments that are designated upon initial recognition as at fair value through profit or loss. These include investments, certain purchased loans and derivative contracts that are not designated and effective hedging instruments, and liabilities from short sales of financial instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as trading liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than:

- those designated upon initial recognition as at fair value through profit or loss or available for sale, or
- those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration, which should be classified as available for sale.

Loans and receivables include loans and advances to banks and customers.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity.

Available-for-sale financial assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Available-for-sale instruments include money market placements and certain debt, equity and other investments.

(ii) Recognition

The Bank recognises financial assets on the day they are transferred to the Bank (settlement date accounting).

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all financial instruments at fair value through profit or loss and all available-for-sale assets are measured at fair value, except for any instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured, which are stated at cost, including transaction costs, less impairment losses.

All financial liabilities that are not at fair value through profit or loss, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and are amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using discounted cash flow techniques or pricing models where all significant inputs are directly or indirectly observable from market data.

Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices under Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data, where the unobservable inputs have a significant effect on an instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes Risk Management, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models;
- calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Risk Management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the Bank Audit Committee.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss are recognised directly in profit or loss as “Operating income”.

Gains and losses arising from a change in the fair value of financial assets available for sale are recognised directly in other comprehensive income and become an equity item under “Changes in fair value on available-for-sale financial assets”.

(vi) Specific instruments

Cash and balances with the central bank

Cash and balances with the central bank comprise cash in hand, cash deposited with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank.

Loans and advances to banks and customers

Loans and advances to banks and customers and purchased loans that the Bank has the intent and ability to hold to maturity are classified as loans and receivables.

Loans and advances are reported net of allowances for impairment to reflect the estimated recoverable amounts – see accounting policy (h).

Debt securities issued (other liabilities supported by paper evidence)

Other liabilities for which paper evidence exists are classified as non-trading liabilities.

Subordinated liabilities

Subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

(vii) Embedded derivatives

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

(e) Derecognition

A financial asset is derecognised when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is terminated.

Available-for-sale assets and trading assets that are sold are derecognised and the corresponding receivables from the buyer are recognised on the date they are transferred (settlement date accounting). The Bank uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments and loans and receivables are derecognised on the day of maturity or on the day they are transferred by the Bank.

(f) Repurchase transactions

The Bank enters into purchases (sales) of financial assets under agreements to resell (repurchase) identical financial assets at a certain date in the future at a fixed price. Financial assets purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Financial assets sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. Financial assets purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

(g) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

Despite the amendments to IFRS 7, the Bank has not expanded its disclosures to include the offsetting of financial assets and financial liabilities as the Bank's agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Bank does not have any currently legally enforceable right to offset recognised amounts as the right to offset is enforceable only on the occurrence of future events, such as a default on the bank loans or other credit events. This applies to ISDA agreements, sale and repurchase agreements and any related rights to financial collateral or securities borrowing and lending agreements.

(h) Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and the impairment of assets is recognised.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, then the write-down or provision is reversed through the statement of comprehensive income.

Loans and advances and held-to-maturity investments

Loans and advances are presented net of specific and portfolio provisions for uncollectibility.

Specific provisions are established against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of the outstanding balances to reduce these loans and advances to their recoverable amounts. The provisions are calculated as the difference between the carrying amount of a loan and the present value of the estimated future cash flows from the loan, including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate.

If the Company determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Provisions recognised on a portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and the historical record of losses, with consideration for significant information on the current economic situation. Short-term receivables are not discounted.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there are little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss. The Bank mainly uses the financial statements of the client and the Bank's own analysis as the basis for assessment of a loan's collectability.

Increases in the provision account are recognised in the statement of comprehensive income. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly to the statement of comprehensive income.

(i) Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income as they accrue, using the effective yield of the asset or the applicable floating rate. Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(j) Fee and commission income

Fee and commission income arises from financial services provided by the Bank, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions.

Fee and commission income is recognised when the corresponding service is provided.

(k) Penalty fees

Penalty fees are recognised in the statement of comprehensive income when a penalty is charged to a customer, taking into account its collectability.

(l) Gains/losses from financial operations

Gains/losses from financial operations include gains and losses arising from disposals of financial assets and liabilities at fair value through profit or loss and available-for-sale assets and gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss.

(m) Dividend income

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	10–30 years
Other	1–5 years

Leasehold improvements are depreciated over the shorter of the leasing period and their lifetime.

Low-value tangible assets with a purchase price of less than TCZK 40 and an estimated useful life shorter than 1 year are recognised as expenses in the period in which they are purchased.

(o) Intangible assets

Software and other intangible assets

Software and other intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets.

(p) Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time. Provisions are recognised when:

- there is a legal or constructive obligation as a result of past events;
- it is probable, and the probability exceeds 50%, that an outflow of resources will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

(q) Income taxes

The income tax base is calculated from the current year profit. Expenses considered non-taxable expenses are added and income considered non-taxable income is deducted. The income tax base is modified by tax allowances and tax benefits.

Deferred income tax arises from temporary differences between the accounting values of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated using the tax rates applicable in the periods in which the timing difference is expected to reverse. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

(r) Financial guarantees

Financial guarantees are contracts that require the Bank to make a specified payment to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of the debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under guarantee has become probable). Financial guarantees are included in other liabilities.

4. Standards, interpretations and amendments to published standards that are not yet effective and are relevant to the bank's financial statements

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in the preparation of these financial statements. Of these pronouncements, the following will potentially have an impact on the Bank's operations. The Bank plans to adopt such pronouncements when they become effective. The Bank is in the process of analysing the likely impact on its financial statements.

Amendments to IAS 1 Disclosure Initiative (effective from 1 January 2016) include the following five narrow-focus improvements to the disclosure requirements contained in the standard. The guidance on materiality in IAS 1 has been amended to clarify that immaterial information can detract from useful information; materiality applies to the whole of the financial statements as well as to each disclosure requirement in an IFRS. The guidance on the order of the notes (including the accounting policies) has been amended to remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements and to clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016). Revenue-based depreciation banned for property, plant and equipment: the amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. New restrictive test for intangible assets: the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are "highly correlated", or when the intangible asset is expressed as a measure of revenue.

Annual Improvements to IFRSs 2010–2012 were issued by the IASB in December 2013 and introduce six amendments to six standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The Annual Improvements to the IFRS 2010–2012 cycle of amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Annual Improvements to IFRSs 2012–2014 were issued by the IASB in September 2014 and introduce four amendments to four standards and standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The Annual Improvements to the IFRS 2012–2014 cycle of amendments are applicable to annual periods beginning on or after 1 January 2016, with earlier adoption permitted.

IFRS 9 Financial Instruments (effective from 1 January 2018, not yet endorsed by the EU) replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. This concerns the classification and measurement of financial assets. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification under the appropriate measurement category are significantly different. A financial asset would be measured at amortised cost if it were held within a business model whose objective is to hold assets in order to collect contractual cash flows, and on specified dates the asset's contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The Bank is currently assessing the impact of these standards on its financial statements.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning future economic developments. The resulting accounting estimates will, by definition, seldom match the actual results. The estimates and assumptions that carry the most significant risk of a material adjustment being required to the carrying amounts of assets and liabilities in the next financial year are discussed below.

(i) Impairment of loans and receivables

The Bank assesses at least at each balance sheet date whether there is objective evidence that any loan or receivable, or any group of loans and receivables, is impaired. A loan or receivable is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition and that loss event (or events) has an impact on the estimated future cash flows from the loan or receivable, or from the group of loans and receivables, that can be reliably estimated.

The Bank classifies loans to individual customers into several classes; the significant ones are all loans to corporate customers. As the Bank's consumer loan portfolio (i.e. Consumer loan receivables and Cash loan receivables) consists of a large amount of loans with relatively low outstanding amounts, the loan portfolio does not comprise any individually significant items.

The Bank first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loan or receivable that is not individually significant. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

Objective evidence that a loan or receivable, or a group of loans and receivables, is impaired includes observable data that come to the attention of the Bank about the following loss events:

- the debtor's significant financial difficulty;
- a breach of contract, such as default in the payment of interest or the principal;
- the disappearance of an active market for that financial asset due to the debtor's financial difficulties;
- deterioration in the borrower's competitive position;
- cash flow difficulties;
- breach of loan covenants;
- initiation of bankruptcy proceedings.

A collective component of the total impairment (loss “incurred but not reported” or IBNR) is not established for corporate customers due to the high fragmentation of the portfolio and thus the unavailability of sufficient and reliable statistical information on default history. Due to the small number of corporate exposures, the timely identification of impairment loss occurs with subsequent transfer to the Work-out Committee.

Future cash flows from loans and receivables are estimated on the basis of contractual cash flows and historical loss experience for loans and receivables with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used to estimate future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

(ii) Changes in accounting policy

There were no changes in accounting policies during the years 2015 and 2014.

(iii) Effect of the changes in accounting standards in these financial statements

In 2015 and 2014, the Bank did not identify any changes in financial reporting standards affecting the Bank’s financial statements.

6. Net interest income

MCZK	2015	2014
Interest and similar income		
Cash and balances with the central bank	18	14
Loans and advances to banks	121	234
Loans and advances to customers	2,379	3,672
Of which: Unpaid interest income from impaired loans	116	151
Unpaid interest income from loans with forbearance	42	5
Debt securities	833	723
	3,351	4,643
Interest expense and similar charges		
Deposits from banks	(9)	(3)
Deposits from customers	(199)	(289)
Debt securities issued and short sales	(290)	(276)
Subordinated liabilities	(208)	(216)
	(706)	(784)
Net interest income	2,645	3,859

The Bank did not waive any interest on late payment during the years 2015 and 2014.

7. Dividend income

In 2015, the Bank received dividend payments amounting to MCZK 2 (2014: MCZK 0), all from ownership of trading securities.

8. Net fee and commission income

MCZK	2015	2014
Fee and commission income		
Transaction fees with banks	4	8
Transaction fees with clients	194	183
Fees from guarantees provided	32	37
Fees from administration of share/bond issues	7	29
Other	39	42
	276	299
Fee and commission expense		
Transaction fees with banks	(19)	(26)
Transaction fees with clients	(31)	(30)
	(50)	(56)
Net fee and commission income	226	243

9. Net trading income

MCZK	2015	2014
Net profit/(loss) from securities/FX trading	951	68
Of which: Securities	417	-
FX trading	534	68
Net profit/(loss) from derivatives	(599)	(304)
	352	(236)

10. Net income from other instruments carried at fair value

The Bank did not gain any net income from other instruments carried at fair value for the years 2015 and 2014.

11. Other operating income

Other operating income is earned from re-invoicing and other similar income.

12. General administrative expenses

MCZK	2015	2014
Personnel expenses		
Wages and salaries	(185)	(167)
Social expenses	(64)	(59)
Liability insurance, pension insurance	(2)	(2)
Remuneration paid to		
Board of Directors	(26)	(17)
Supervisory Board	(5)	(5)
Executives	(21)	(21)
	(303)	(271)
Other general operating expenses	(433)	(387)
	(736)	(658)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2015 and 2014 was as follows:

	2015	2014
Board of Directors	3	3
Supervisory Board	6	6
Executives	5	6
Employees	196	188

13. Other operating expenses

MCZK	2015	2014
Depreciation of fixed assets	(32)	(47)
Payment to Deposit Insurance Fund	(74)	(63)
Payment to Guarantee Fund	(2)	(3)
	(108)	(113)

14. Cash and balances with the central bank

MCZK	2015	2014
Cash on hand	49	65
Balances with the central bank	1,693	1,864
Term deposits with the central bank	30,200	25,500
Repo with the central bank	-	4,700
	31,942	32,129

At 31 December 2015 cash and balances with the central bank included balances with the central bank amounting to MCZK 1,693 (2014: MCZK 1,864), constituting obligatory minimum reserves. These funds are not available for the Bank's daily business.

15. Trading assets

All financial assets at fair value through profit or loss are classified as held for trading.

MCZK	2015	2014
Bonds and notes issued by:		
Government	11,016	7,681
Other issuers	772	2,865
Shares and other equity instruments issued by:		
Other issuers	311	-
Positive fair value of derivatives:		
Interest rate contracts	559	502
Currency contracts	964	2,794
Of which: Listed instruments	12,172	10,618
Unlisted instruments	1,450	3,224
	13,622	13,842

Interest income from trading assets is recognised in interest and similar income. The fair value of unlisted instruments at fair value through profit or loss was estimated using discounted cash-flow techniques.

16. Financial assets available for sale

MCZK	2015	2014
Bonds and notes issued by:		
Government	15,528	18,682
Other issuers	10,590	7,511
Shares and other equity instruments issued by:		
Other issuers	58	562
Of which: Listed instruments	23,867	24,817
Unlisted instruments	2,309	1,938
	26,176	26,755

Interest income from financial assets available for sale is recognised in interest and similar income. The fair value of unlisted bonds and notes available for sale was estimated using discounted cash-flow techniques.

17. Loans and advanced to banks

MCZK	2015	2014
Loans to banks	302	924
Money market transactions	3,153	10,249
Other (nostro/current account balances)	1,209	406
Net loans and advances to banks	4,664	11,579

During 2015 and 2014, the Bank did not create or release any impairment to loans and advances to banks.

18. Loans and advanced to customers

MCZK	2015	2014
Corporate customers:		
Financial institutions	645	712
Non-financial institutions	8,223	8,531
Individuals – entrepreneurs	54	57
Public sector	4	471
Resident individuals	213	142
Non-residents:		
Corporate	14,987	11,013
Individuals	3,765	5,530
Total loans and advances to customers	27,891	26,456
Impairment loss on loans and advances to customers	(1,615)	(2,316)
Net loans and advances to customers	26,276	24,140

Specific allowances for impairment (loans and advances to customers only from the Bank):

MCZK	2015	2014
As at 1 January	1,332	855
Impairment losses recognised in the statement of comprehensive income	346	559
Reversal of impairment of loans to customers	(302)	(89)
Use of impairment on loans and receivables	(374)	-
Exchange difference	24	7
	(306)	477
As at 31 December	1,026	1,332

Collective allowances for impairment (loans and advances to customers only from subsidiaries):

MCZK	2015	2014
As at 1 January	984	576
Impairment losses recognised in the statement of comprehensive income	867	1,615
Amount related to loans written off	(1,195)	(728)
Exchange difference	(67)	(479)
	(395)	408
As at 31 December	589	984

The consumer loan portfolio is subject to estimation uncertainty as identification on an individual contract level is impractical due to the large amount of such exposures. The Bank has estimated the impairment on loans to customers in accordance with the accounting policy described in Note 5 (i). Changes in collection estimates could significantly affect the impairment losses recognised.

The Company creates the collective impairment losses based on the probability of default and loss given default (“LGD”). A change in the LGD parameter by +/- 10%, would result in a change in the allowance for impairment as at 31 December 2015 by +/- MCZK 56 (2014: MCZK 87).

19. Subsidiaries

The Bank held 100% of shares in Ruconfin B.V. in the amount of MCZK 51.3 as at the end of 2015 (2014: MCZK 51.3), PPF Financial Consulting, s.r.o. in the amount of MCZK 5 (2014: MCZK 5), Net Gate, s.r.o. in the amount of MCZK 0.2 (2014: MCZK 0.2) and Airline Gate, s.r.o. in the amount of CZK 1 (2014: CZK 1).

The Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation in 2012. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

The Bank also purchased PPF Financial Consulting, s.r.o. and Net Gate, s.r.o. for the purpose of entering the segment of municipal client consultations and established Airline Gate, s.r.o. for the purpose of maintaining collateral before its realisation.

The full method of consolidation is used.

The Bank held no interest participation with significant influence in 2015 and 2014.

20. Property, plant and equipment

MCZK	Low-value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not yet in use	Total
Cost						
At 1 January 2014	3	16	16	134	1	170
Additions	-	-	-	1	4	5
Transfers	-	-	-	-	-	-
Disposals	-	-	-	(2)	(4)	(6)
At 31 December 2014	3	16	16	133	1	169
At 1 January 2015	3	16	16	133	1	169
Additions	-	-	-	16	15	31
Transfers	-	-	-	-	-	-
Disposals	-	-	-	(41)	(16)	(57)
At 31 December 2015	3	16	16	108	-	143
Depreciation						
At 1 January 2014	3	-	15	110	-	128
Additions	-	-	1	16	-	17
Disposals	-	-	-	(2)	-	(2)
At 31 December 2014	3	-	16	124	-	143
At 1 January 2015	3	-	16	124	-	143
Additions	-	1	-	10	-	11
Disposals	-	-	-	(41)	-	(41)
At 31 December 2015	3	1	16	93	-	113
Net book value						
At 31 December 2015	-	15	-	15	-	30
At 31 December 2014	-	16	-	9	1	26

21. Intangible assets

MCZK	Software	Total
Cost		
At 1 January 2014	303	303
Additions	34	34
Disposals	(23)	(23)
At 31 December 2014	314	314
At 1 January 2015	314	314
Additions	36	36
Disposals	(19)	(19)
At 31 December 2015	331	331
Amortisation		
At 1 January 2014	234	234
Additions	28	28
Disposals	-	-
At 31 December 2014	262	262
At 1 January 2015	262	262
Additions	21	21
Disposals	(5)	(5)
At 31 December 2015	278	278
Net book value		
At 31 December 2015	53	53
At 31 December 2014	52	52

22. Deferred tax and current tax

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes the Bank uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2015 and 2014, the tax rate in the Czech Republic was 19%).

The recognised deferred tax assets and liabilities consist of the following items:

MCZK	2015	2014
Deferred tax assets		
Deferred tax asset from financial assets available for sale	-	2
Deferred tax asset from wages and unpaid social and health insurance	11	10
Deferred tax assets	11	12
Deferred tax liabilities		
Deferred tax liability from financial assets available for sale	(116)	(74)
Deferred tax liability from penalty interest not yet collected	(27)	(21)
Deferred tax liabilities	(143)	(95)
Net deferred tax assets (liabilities)	(132)	(83)

The amount of deferred tax relating to changes in the tax rate applicable for the deferred tax calculation is MCZK 0 (2014: MCZK 0). There were no unrecognised items related to deferred tax.

At 31 December 2015, the Bank recorded receivables from customers of penalty interest not yet collected of MCZK 143 (2014: MCZK 113); this income is not taxable. Therefore, the Bank created a deferred tax liability of MCZK 27 (2014: MCZK 21), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2015 in the amount of MCZK 44 (2014: MCZK 15) was included in the Bank's equity through an adjustment to "Fair value reserve".

Income tax reconciliation:

MCZK	2015 Tax basis	2015 Tax	2014 Tax basis	2014 Tax
Tax rate		19.0%		19.0%
Profit from operations (before taxation)	1,443		1,022	
Computed taxation using applicable tax rate		274		194
Tax non-deductible expenses	511	97	270	51
Non-taxable income	(295)	(56)	(234)	(44)
Other items	(163)	(30)	(111)	(21)
Deferred tax	26	5	79	15
Total income tax (expense)/income		(290)		(195)
Effective tax rate		20.1%		19.1%

23. Operating leasing

Non-cancellable operating lease rentals are payable as follows:

MCZK	2015	2014
Less than one year	23	23
Between one and five years	39	58
More than five years	-	-
Total	62	81

The Bank leases branch and office premises under operating leases. The leases typically run for a period of up to 10 years, with an option to renew the lease after that date. The operating leasing expense was MCZK 25 in 2015 (2014: MCZK 24).

24. Other assets

MCZK	2015	2014
Clearing with securities market	13	83
Prepayments and deferred expenses	24	25
Cash collateral to payment cards	192	177
Receivables resulting from decrease in issued capital of AFS shares	483	-
Other	42	32
Impairment loss on other assets	-	-
	754	317

25. Impairment losses

MCZK	Loans and advances to customers (note 18)	Total
As at 1 January 2015	2,316	2,316
Impairment of loans to customers	1,213	1,213
Reversal of impairment of loans to customers	(302)	(302)
Release of impairment losses on written off items	(1,569)	(1,569)
FX difference	(43)	(43)
As at 31 December 2015	1,615	1,615
As at 1 January 2014	1,431	1,431
Impairment of loans to customers	2,174	2,174
Reversal of impairment of loans to customers	(89)	(89)
Release of impairment losses on written off items	(728)	(728)
FX difference	(472)	(472)
As at 31 December 2014	2,316	2,316

26. Deposits from banks

MCZK	2015	2014
Deposits from banks	1,290	877
Other (loro account balances)	368	2,560
	1,658	3,437

27. Deposits from customers

MCZK	2015	2014
Payable on demand		
Corporate customers:		
Financial services	103	574
Non-financial institutions	6,234	6,674
Insurance institutions	491	161
Non-profit organisations	347	236
Self-employed	106	76
Public sector	11,343	13,830
Resident individuals	1,177	1,704
Non-residents:		
Corporate	20,526	32,755
Individuals	787	1,186
Total payable on demand	41,114	57,196
Term deposits		
Corporate customers:		
Financial services	-	1,399
Non-financial institutions	7,166	10,593
Insurance institutions	409	5,288
Non-profit organisations	36	41
Self-employed	141	299
Public sector	8,381	2,551
Resident individuals	112	179
Non-residents:		
Corporate	-	1,096
Individuals	1,081	166
Total term deposits	17,326	21,612
	58,440	78,808

Interest is recognised under Interest expense and similar charges.

28. Debt securities issued

MCZK	2015	2014
Financial institutions	1,456	126
Non-financial institutions	740	1,525
Public sector	17,166	4,403
Non-resident individuals	-	779
Resident individuals	190	1,960
	19,552	8,793

29. Trading liabilities

All financial liabilities at fair value through profit or loss are classified as held for trading.

MCZK	2015	2014
Negative fair value of derivatives:		
Interest rate contracts	655	665
Currency contracts	559	1,080
Liabilities from short sales of securities	6,852	5,583
	8,066	7,328

30. Income tax receivables and liabilities

As at 31 December 2015, a tax liability of MCZK 289 (2014: MCZK 176) is offset against income tax advances totalling MCZK 180 (2014: MCZK 220).

An income tax liability of MCZK 2 in 2014 has not been offset as it relates to a different tax authority.

31. Other liabilities and provisions

MCZK	2015	2014
Payables to suppliers	47	51
Accrued expenses and deferred income	18	17
Blocked accounts	5,958	1,708
Social and health insurance	6	5
Other liabilities to employees	18	15
Liabilities from securities transactions	-	119
Deposit insurance fund	18	17
Liabilities from clearing	1	117
Other liabilities	146	294
	6,212	2,343

Blocked accounts chiefly consist of funds in a tied account which are intended to redeem the shares of minority shareholders of Česká telekomunikační infrastruktura a.s. (2015: MCZK 2,732; 2014: MCZK 0) and collateral deposits for derivatives (2015: MCZK 3,040; 2014: MCZK 1,512).

32. Subordinated liabilities

The terms and conditions of the subordinated liabilities are as follows.

MCZK	Year of maturity	2015	2014
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%	2023	1,456	1,455
RUB 1,700 million subordinated debt with a mandatory fixed payment of 14% *	2016	585	663
		2,041	2,118

* The agreement on subordinated debt allows for debt repayment to be postponed if there are insufficient cash flows in Ruconfin B.V., which might lead to a reduction in the carrying value of the subordinated debt.

The above liabilities would, if the issuer were to be wound up, be subordinated to the claims of depositors and all other creditors of the issuer.

The Group did not have any defaults of principal, interest or other breaches with respect to its subordinated debt during the years ended 31 December 2015 and 2014.

33. Repurchase and resale agreements

The Bank purchases financial instruments under agreements to resell them at future dates (“reverse repurchase agreements”). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers.

Assets purchased subject to agreements to resell them were as follows:

MCZK	Carrying amounts of receivables	Fair value of assets held as collateral
Loans and advances at 31 December 2015:		
to banks	1,822	1,826
to clients	689	1,040
Loans and advances at 31 December 2014:		
to banks	10,118	10,057
to clients	1,449	1,821

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

MCZK	Carrying amounts of liabilities	Fair value of assets given as collateral
Deposits at 31 December 2015:		
from banks	488	489
from clients	5,811	5,847
Deposits at 31 December 2014:		
from banks	-	-
from clients	1,849	1,965

34. Issued capital

	Number of shares	Nominal value CZK	Registered capital MCZK
As at 31 December 2015:	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2014:	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2015 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings B.V.	Netherlands	554,711	715	92.96%
City of Prague	Czech Republic	19,882	52	6.73%
Other (less than 1%)		1,800	2	0.31%
		576,393	769	100.00%

As at 30 June 2015, shares representing a total of 92.96% of Bank voting rights were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

No members of the management, the Board of Directors or the Supervisory Board held any Bank shares as at 31 December 2015 or as at 31 December 2014.

The Bank has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares.

All Bank shares were fully paid. The share premium amounts to MCZK 412 (2014: MCZK 412).

35. Nature and purpose of reserves

(a) Statutory reserve fund

The Annual General Meeting held on 30 April 2014 in connection with the newly effective legislation (in particular the Business Corporations Act) cancelled the reserve fund and transferred it to retained earnings.

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

(c) Foreign currency translation differences for foreign operations

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Ruconfin B.V.

36. Dividends paid

No dividends were paid by the Bank in 2015 and 2014.

37. Proposed allocation of net profit for the year

The Bank and its subsidiaries propose to allocate their profit as follows:

MCZK	Net profit for the year
Net profit for the year 2015	1,153
Proposed allocation of profit for 2015:	
Transfer to social funds	(2)
Transfer to retained earnings	(1,151)

The social fund is part of Other liabilities and provisions.

38. Off-balance sheet items

(a) Commitments and contingent liabilities

Guarantees and credit commitments are subject to the same procedures within the standard lending process, in terms of credit risk monitoring and regulation of the Bank's credit activity.

MCZK	2015	2014
Guarantees issued	2,934	3,726
Undrawn credit commitments	7,991	7,223
Letters of credit	24	59
	10,949	11,008

The total outstanding contractual commitments to extend credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded, especially as regards consumer financing products held by the Bank's subsidiaries.

(b) Off-balance sheet financial instruments

MCZK	Notional value		Fair value	
	2015	2014	2015	2014
Derivatives held for trading				
Interest rate swaps	45,298	20,802	(166)	(234)
Foreign exchange derivatives			406	1,714
Purchase	127,000	66,588		
Sale	126,594	64,874		
Options	1,277	1,152	-	-
Other derivatives			69	72
Purchase	679	1,121		
Sale	674	1,122		
			309	1,552

Other derivatives consisted of futures, IR CAPs and IR forwards (2014: futures).

(c) Residual maturity of derivatives

This table presents the notional amounts of all types of derivatives according to their residual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 year	Unspecified	Total
As at 31 December 2015						
Derivatives held for trading						
Interest rate swaps	10,916	12,942	10,611	10,829	-	45,298
FX derivatives (purchase)	54,861	17,242	54,897	-	-	127,000
FX derivatives (sale)	54,780	17,091	54,723	-	-	126,594
Options	-	-	1,277	-	-	1,277
Other derivatives (purchase)	-	-	-	679	-	679
Other derivatives (sale)	674	-	-	-	-	674
As at 31 December 2014						
Derivatives held for trading						
Interest Rate Swaps	-	-	8,691	12,111	-	20,802
FX derivatives (purchase)	36,899	29,689	-	-	-	66,588
FX derivatives (sale)	36,105	28,769	-	-	-	64,874
Options	-	-	1,152	-	-	1,152
Other derivatives (purchase)	141	980	-	-	-	1,121
Other derivatives (sale)	140	982	-	-	-	1,122

The Bank obtained a derivative licence from the Czech National Bank in 2006.

39. Fair value disclosures

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy under which each fair value measurement is categorised.

31 December 2015

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and balances with the central bank	-	31,942	-	31,942	31,942
Loans and advances to banks	-	4,664	-	4,664	4,664
Loans and advances to customers	-	17,300	8,875	26,175	26,276
Financial liabilities					
Deposits from banks	-	1,658	-	1,658	1,658
Deposits from customers	-	58,440	-	58,440	58,440
Debt securities issued	-	19,552	-	19,552	19,552
Subordinated liabilities	-	2,164	-	2,164	2,041

31 December 2014

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
MCZK					
Financial assets					
Cash and balances with the central bank	-	32,129	-	32,129	32,129
Loans and advances to banks	-	11,579	-	11,579	11,579
Loans and advances to customers	-	15,075	9,002	24,077	24,140
Financial liabilities					
Deposits from banks	-	3,437	-	3,437	3,437
Deposits from customers	-	78,808	-	78,808	78,808
Debt securities issued	-	8,793	-	8,793	8,793
Subordinated liabilities	-	2,163	-	2,163	2,118

The major methods and assumptions used in estimating the fair values of financial instruments shown in the table are summarised below.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and balances with the central bank

For cash and cash equivalent assets, the carrying value is deemed to be equal to the fair value.

Loans and advances to banks

Loans and advances with banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Loans and advances to customers

Loans and advances are net of specific and other provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at current market rates to determine the fair value. For loans and advances that will mature or be renewed within twelve months, the fair value was deemed to be equal to the carrying value.

Deposits from banks

Deposits from banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Deposits from customers

The estimated fair value of current and deposit accounts without a stated maturity was deemed to be equal to the carrying value.

All fixed rate term deposits and loans from banks are renewed regularly; thus the fair value is deemed to be equal to the carrying value.

Debt securities issued

For issued debt securities, the fair value is deemed to be equal to the carrying value.

Subordinated liabilities

The estimated fair value of subordinated liabilities represents the discounted amount of the future cash flows expected to be paid.

The following table analyses financial assets and liabilities recognised at fair value based on the quality of entry data used for valuation. The fair value levels are defined in Note 3 (d) (iv):

MCZK	Level 1	Level 2	Level 3	Total
As at 31 December 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	10,233	1,866	-	12,099
Derivatives held for trading	73	1,450	-	1,523
Available-for-sale securities	21,532	4,644	-	26,176
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	6,853	-	-	6,853
Derivatives held for trading	-	1,213	-	1,213
As at 31 December 2014				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	9,932	614	-	10,546
Derivatives held for trading	72	3,224	-	3,296
Available-for-sale securities	16,188	8,082	2,485	26,755
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	5,584	-	-	5,584
Derivatives held for trading	-	1,744	-	1,744

The following table states the transfers of financial assets recognised at fair value to and from Level 3:

MCZK	Available-for-sale securities	Total
Balance as at 1 January 2015	2,485	2,485
Profit and loss from revaluation		
In profit or loss	-	-
In other comprehensive income	-	-
Purchases	-	-
Sales/maturity	-	-
Transfers into Level 3	-	-
Transfers out of Level 3	(2,485)	(2,485)
Transfers between portfolios	-	-
Balance as at 31 December 2015	-	-

During 2015, certain available-for-sale assets were transferred out of Level 3 of the fair value hierarchy due to the change in valuation model, when significant inputs used in their fair value measurements, such as certain credit spreads, that were not previously used are observable.

MCZK	Available-for-sale securities	Total
Balance as at 1 January 2014	2,717	2,717
Profit and loss from revaluation		
In profit or loss	95	95
In other comprehensive income	6	6
Purchases	1,379	1,379
Sales/maturity	(1,712)	(1,712)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Transfers between portfolios	-	-
Balance as at 31 December 2014	2,485	2,485

In 2014, profit of MCZK 92 was included in Interest and similar income and profit of MCZK 3 in Net trading income.

During the previous reporting period, due to changes in market conditions for certain shares, quoted prices in the active market were no available for these securities, hence the acquisition purchase price is the best indicator of the fair value of shares.

40. Risk management disclosure

This section provides details of the Bank's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Bank is exposed are:

- (a) credit risk;
- (b) liquidity risk;
- (c) market risks;
- (d) operational risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit Department, reporting to the Credit Committee, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers.
- Reviewing and assessing credit risk. Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's gradings in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grades are subject to regular reviews of the Bank's risk department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided on the credit quality of local portfolios and appropriate corrective action is taken.

Since 2014, the Bank has been calculating the capital requirement for credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard and under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

Exposure to credit risk

The credit risk reflects the counterparty's ability to meet its commitments.

Credit risk management is regulated by the Bank's internal policies. For each customer, the Bank sets a limit of total credit exposure, which is decided during the process of credit product approval.

For the classification of receivables, the Bank uses an internal system of receivable categorisation.

The rating quantifies the total risk connected with the customer and takes into account the nature of the requested transaction. Apart from an assessment of the number of days overdue, the Bank assesses the quality of management, the position of the debtor in the market, the current market conditions, the macroeconomic situation, the structure and quality of collateral, the nature of the financial sources used to repay the debt, and an analysis of the financial statements (i.e. the structure of the financial position, operating cash-flow, productivity and others).

Impairment of individual loans

The Bank recognises the impairment of an individual loan if the loan's carrying amount decreases and the Bank does not write off that amount; that is, the part of the loan receivable corresponding to the loss from the loan's carrying amount. The Bank assesses impairment of the carrying amount for each watched loan receivable and for all loan receivables with debtors in default. The Bank writes off a receivable when it does not expect any income from the receivable or from received collateral related to that receivable.

The Bank calculates the individual impairment in the amount of loss resulting from a decrease in the loan's carrying amount, i.e. impairment loss is equal to the difference between the carrying amount (reduced by the materially acceptable value of collateral) and the discounted value of estimated future cash flows from the unsecured part of the loan.

Collectively impaired portfolio of loans

The majority of the Group's exposure to credit risk from collectively assessed portfolios arises in connection with the provision of consumer financing to private individual customers in Russia, which is the principal business of the Bank's subsidiaries. The Bank classifies the loans to individual customers into several classes; significant ones are consumer loans, revolving loans, cash loans and car loans. As the consumer loan portfolio consists of large amount of loans with relatively low outstanding amounts, the loan portfolio does not comprise any significant individual items. The loans are allocated into time buckets as per due days and a respective impairment allowance is calculated for each time bucket balance.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of non-impaired and individually impaired assets by risk grade.

Loans and advances to banks

MCZK	2015		2014	
	Gross	Net	Gross	Net
Not impaired				
Standard	4,664	4,664	11,579	11,579
Total	4,664	4,664	11,579	11,579

There was no interest accrued to individually impaired loans and advances to banks as at 31 December 2015 and 2014.

Loans and advances to customers (individually impaired)

MCZK	2015		2014	
	Gross	Net	Gross	Net
Not impaired				
Standard	15,630	15,630	15,138	15,138
Impaired				
Watched	3,898	3,840	1,626	1,600
Sub-standard	2,091	2,061	1,126	1,063
Doubtful	97	55	883	436
Loss loans	2,496	1,601	2,047	1,251
Total	24,212	23,186	20,820	19,488

The interest accrued to individually impaired loans and advances to customers as at 31 December 2015 was MCZK 34 (2014: MCZK 13).

Loans and advances to customers (collectively impaired)

MCZK	2015	2014
Collectively impaired		
Gross amount	3,476	5,465
Due	2,646	4,081
Past due 1 – 90 days	258	466
Past due 91 – 360 days	572	918
Past due more than 360 days	–	–
Allowances for impairment	(589)	(984)
Net amount	2,887	4,481
Premium of purchased receivables	203	170
Carrying amount	3,090	4,651
Total	3,090	4,651

Loans and advances to customers – Past due, but not impaired

As at 31 December 2015, the Bank reported Loans and advances to customers amounting to MCZK 9 as “Past due, but not impaired” (2014: MCZK 0).

As at 31 December 2015, the Bank reported MCZK 26 of Other assets as “Past due, but not impaired” (2014: MCZK 0).

Evaluation of collateral

The Bank generally requires collateral before providing loans to certain debtors. To reduce the gross credit exposure and for the purpose of calculating adjustments, the Bank considers the following to be acceptable types of collateral:

- Cash
- Securities
- First-class receivables
- Bank guarantees
- Guarantees provided by a reputable third party
- Real estate
- Machinery and equipment

The Bank's assessment of the net realisable value of the collateral is based on an expert appraisal or an internal evaluation prepared by the Bank's specialist department. The net realisable value of the collateral is determined using this value and a correction coefficient reflecting the Bank's ability to realise the collateral when necessary.

Loans with renegotiated terms and the Bank's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors unrelated to the customer's current or potential credit deterioration. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Bank implemented the new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to its financial difficulties and the Bank has decided to grant a concession to a debtor. A forbearance measure may be either a modification of the terms and conditions or refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Bank renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor has made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The following table shows Loans and advances to customers with forbearance:

MCZK	2015	2014
Not impaired	15,630	15,138
Of which: Loans and advances to customers with forbearance	-	-
Impaired	10,647	8,831
Of which: Loans and advances to customers with forbearance	2,066	683
Total	26,276	24,140

The following table shows Loans and advances to customers with forbearance split by sector:

MCZK	2015	2014
Loans and advances to customers without forbearance:	24,210	23,457
Corporate customers:		
Financial institutions	706	712
Non-financial institutions	7,360	7,829
Individuals – entrepreneurs	54	57
Public sector	4	-
Resident individuals	213	142
Non-residents	15,873	14,717
Loans and advances to customers with forbearance:	2,066	683
Corporate customers:		
Financial institutions	-	-
Non-financial institutions	34	83
Individuals – entrepreneurs	-	-
Public sector	-	-
Resident individuals	-	-
Non-residents:		
Non-financial institutions	2,032	600
Total	26,276	24,140

The Bank does not usually require collateral for consumer loans.

The following table shows Loans and advances to customers split by type of collateral:

MCZK	2015	2014
Bank guarantees	5,230	6,093
Property	6,521	7,705
Unsecured	14,525	10,342
Total	26,276	24,140

The following table shows Loans and advances to customers classified as watched, substandard, doubtful and loss loans (individually and collectively impaired) by type of collateral:

MCZK	2015	2014
Bank guarantees	3,678	1,992
Property	2,524	883
Unsecured	1,355	1,824
Total	7,557	4,699

The Bank did not record any collateral for loans and advances to customers past due, but not impaired as at 31 December 2015 and 2014.

Concentration of credit risks

A concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet his obligations. The Bank treats a receivable from a debtor or an economically connected group of debtors that exceeds 25% of the Bank's capital as a significant exposure. At the balance sheet date, the Bank did not have any significant concentration of credit risks with respect to any individual debtor and the limits were not exceeded in relation to individual debtors or related parties.

i) Concentration of credit risks by economic sector/industry

An analysis of the concentration of credit risks by sector/industry is included in Notes 17 and 18.

ii) Concentration of credit risks by geographical sector

Loans and advances to customers

MCZK	2015	2014
Czech Republic	8,370	8,822
Slovakia	1,946	158
Russia	5,664	7,128
Cyprus	1,073	733
Vietnam	727	814
Netherlands	1,526	168
Bulgaria	1,840	2,084
Maldives	1,245	1,118
Georgia	453	478
Hungary	789	573
Romania	1,180	1,085
Luxembourg	556	572
Other	907	407
Total	26,276	24,140

Loans and advances to banks

MCZK	2015	2014
Czech Republic	1,971	7,637
Slovakia	405	-
Russia	152	884
UK	1,387	1,046
Netherlands	-	859
Kazakhstan	38	304
Belarus	302	367
USA	65	208
Hungary	1	31
Germany	254	93
Poland	4	115
France	22	-
Other	63	35
Total	4,664	11,579

Debt securities

MCZK	2015	2014
Czech Republic	29,832	29,192
Luxembourg	1,760	1,147
Slovakia	-	232
UK	374	554
France	135	2,770
Russia	-	266
Netherlands	2,286	1,495
Ireland	428	1,083
USA	776	-
Germany	693	-
Other	1,622	-
Total	37,906	36,739

(b) Liquidity risk

The liquidity risk represents the risk that the Bank will incur losses due to momentary insolvency. The Bank could also suffer a loss as a result of low liquidity in the market for the financial instruments included in the Bank's portfolios. The insolvency risk represents the risk to the Bank's funding and investment needs. The market liquidity risk represents the risk of not being able to liquidate financial instruments quickly enough, or in sufficient volume and for reasonable prices. If the conditions are unfavourable, this risk could substantially worsen the Bank's position.

The Bank has access to diverse sources of funds, comprising deposits and other savings, loans accepted and equity. This diversification makes the Bank flexible and limits its dependency on any one financing source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Board of Directors. The Bank also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Residual maturity of the Bank's assets and liabilities

The following table shows undiscounted cash flows in the Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2015						
Cash and balances with the central bank	31,942	-	-	-	-	31,942
Trading assets	847	2,202	8,122	2,623	69	13,863
Financial assets available for sale	171	3,953	10,672	11,667	308	26,771
Loans and advances to banks	4,364	4	24	308	-	4,700
Loans and advances to customers	4,411	4,052	13,695	6,876	-	29,034
Property, plant and equipment	-	-	-	-	30	30
Intangible assets	-	-	-	-	53	53
Tax and other assets	14	-	-	-	740	754
Total	41,749	10,211	32,513	21,474	1,200	107,147
Deposits from banks	1,658	-	-	-	-	1,658
Deposits from customers	50,720	6,971	775	-	-	58,466
Debt securities issued	5,454	12,801	1,323	-	-	19,579
Trading liabilities	395	204	431	7,036	3	8,069
Tax and other liabilities and provisions	5,950	10	-	-	493	6,453
Subordinated liabilities	-	651	-	2,061	-	2,712
Shareholders' equity	-	-	-	-	7,307	7,307
Total	64,162	20,607	2,519	9,097	7,803	104,244
Gap	(22,429)	(10,426)	29,984	12,377	(6,603)	2,903
Cumulative gap	(22,429)	(32,855)	(2,871)	9,506	2,903	-
At 31 December 2014						
Cash and balances with the central bank	32,129	-	-	-	-	32,129
Trading assets	1,519	1,873	8,630	2,065	-	14,087
Financial assets available for sale	3,866	4,324	7,167	11,431	575	27,363
Loans and advances to banks	10,419	806	28	369	-	11,622
Loans and advances to customers	6,297	2,800	7,555	10,247	-	26,899
Property, plant and equipment	-	-	-	-	25	25
Intangible assets	-	-	-	-	52	52
Other assets	289	-	-	-	73	362
Total	54,519	9,803	23,380	24,112	725	112,539
Deposits from banks	3,121	320	-	-	-	3,441
Deposits from customers	68,301	10,165	357	-	-	78,823
Debt securities issued	4,452	2,885	1,462	-	-	8,799
Trading liabilities	456	700	2,725	3,447	-	7,328
Tax and other liabilities and provisions	2,164	3	-	-	261	2,428
Subordinated liabilities	-	729	-	2,153	-	2,882
Shareholders' equity	-	-	-	-	5,972	5,972
Total	78,494	14,802	4,544	5,600	6,233	109,673
Gap	(23,975)	(4,999)	18,836	18,512	(5,508)	2,866
Cumulative gap	(23,975)	(28,974)	(10,138)	8,374	2,866	-

The liquidity gap up to one year comes essentially from Deposits from customers, which, on the basis of historical evidence, are expected to be prolonged.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Bank buys and sells derivatives, and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Department.

Trading

The Bank holds trading positions in certain financial instruments. The majority of the Bank's business activities are based on the requirements of its customers. These positions are also held for the purpose of speculation on the future development of financial markets. The Bank's business strategy is thus affected by the speculative expectation and market creation and its goal is to maximise net income from trading.

The Bank manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are volume limits for individual transactions, stop loss limits and Value at Risk (VaR) limits.

Value at risk

Market risks arising from the Bank's trading activities are managed using the Value at Risk method. Value at Risk represents the potential loss arising from an unfavourable movement on the market within a certain time period and at a certain confidence level. The Bank determines the Value at Risk using the parametric method based on the historical development of interest rates, exchange rates and prices of equity instruments. Value at Risk is measured based on a one-day holding period and a confidence level of 99%.

MCZK	31 December 2015	Average for 2015	31 December 2014	Average for 2014
VaR of interest instruments	18	14	13	9
VaR of currency instruments	4	2	2	2
VaR of equity instruments	7	1	-	2

Stress testing

The Bank carries out daily stress testing of interest rates, currency risks and changes in prices of equity instruments by applying internally defined improbable scenarios and simulating their impact on the net present value of the Bank's portfolio.

i) Currency risk

Currency risk is the risk of a change in the value of a financial instrument due to a change in exchange rates.

Assets and liabilities denominated in foreign currencies, including off-balance sheet instruments, represent the Bank's exposure to exchange rate risk. Realised and non-realised exchange rate gains and losses are stated directly in the profit and loss statement.

The Bank has set currency risk limits based on its net currency exposure in individual currencies according to their significance. The Bank also sets a limit with respect to the total net currency exposure.

ii) Interest rate risk

The interest rate risk is the risk of a change in the value of a financial instrument due to a change in market interest rates.

The Bank is exposed to interest rate risks resulting from the different maturity or renewal period of interest rates and the different amounts of interest bearing assets and liabilities in these periods. Interest rate management activities are intended to optimise the net interest income of the Bank in accordance with the strategy approved by its Board of Directors.

Part of the Bank's income is generated by the difference between interest rate sensitive assets and liabilities, which is summarised in the table below.

Interest sensitivity of the Bank's assets and liabilities

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2015						
Cash and balances with the central bank	31,942	-	-	-	-	31,942
Trading assets	1,642	2,361	7,538	2,254	68	13,863
Financial assets available for sale	3,613	15,399	7,046	403	310	26,771
Loans and advances to banks	4,700	-	-	-	-	4,700
Loans and advances to customers	16,772	7,008	3,939	1,315	-	29,034
Property, plant and equipment	-	-	-	-	30	30
Intangible assets	-	-	-	-	53	53
Tax and other assets	14	-	-	-	740	754
Total	58,683	24,768	18,523	3,972	1,201	107,147
Deposits from banks	1,658	-	-	-	-	1,658
Deposits from customers	50,720	6,961	775	-	-	58,466
Debt securities issued	5,455	12,801	1,323	-	-	19,579
Trading liabilities	710	512	240	6,604	3	8,069
Tax and other liabilities and provisions	5,950	10	-	-	493	6,453
Subordinated liabilities	-	651	-	2,061	-	2,712
Shareholders' equity	-	-	-	-	7,307	7,307
Total	64,493	20,945	2,338	8,665	7,803	104,244
Gap	(5,810)	3,823	16,185	(4,693)	(6,602)	2,903
Cumulative gap	(5,810)	(1,987)	14,198	9,505	2,903	-

Interest sensitivity of the Bank's assets and liabilities

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2014						
Cash and balances with the central bank	32,129	-	-	-	-	32,129
Trading assets	1,866	2,361	8,138	1,722	-	14,087
Financial assets available for sale	7,014	15,848	3,530	396	575	27,363
Loans and advances to banks	8,918	806	-	-	1,898	11,622
Loans and advances to customers	16,714	5,276	3,616	1,293	-	26,899
Property, plant and equipment	-	-	-	-	25	25
Intangible assets	-	-	-	-	52	52
Other assets	289	-	-	-	73	362
Total	66,930	24,291	15,284	3,411	2,623	112,539
Deposits from banks	3,120	321	-	-	-	3,441
Deposits from customers	68,196	10,170	457	-	-	78,823
Debt securities issued	4,452	2,885	1,462	-	-	8,799
Trading liabilities	787	1,203	2,535	2,803	-	7,328
Tax and other liabilities and provisions	2,164	3	-	-	261	2,428
Subordinated liabilities	-	729	-	2,153	-	2,882
Shareholders' equity	-	-	-	-	5,972	5,972
Total	78,719	15,311	4,454	4,956	6,233	109,673
Gap	(11,789)	8,980	10,830	(1,545)	(3,610)	2,866
Cumulative gap	(11,789)	(2,809)	8,021	6,476	2,866	-

The carrying amounts of assets and liabilities are recorded either in the period in which they fall due or in the period in which the interest rate changes, i.e. whichever occurs earlier.

Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged.

Effective yield information

The effective yields on significant categories of financial assets and liabilities of the Bank as at 31 December 2015 and 2014 were as follows:

%	2015	2014
Financial assets		
Cash and balances with the central bank	0.05	0.05
Trading assets	0.41*	3.85*
Financial assets available for sale	0.29*	1.23*
Loans and advances to banks	0.38	0.44
Loans and advances to customers	8.66	11.87
Financial liabilities		
Deposits from banks	0.75	0.06
Deposits from customers	0.13	0.15
Debt securities issued	0.79	2.01
Trading liabilities	(0.02)	0.35

* The yield interest rate is calculated from debt securities only.

Apart from gap analysis, as indicated above, the Bank monitors its exposure to interest rate risk by Basis Point Value (BPV) and stress testing. Both of these methods measure the potential impact on the Bank's overall position by a shift in interest rate yield curves.

Basis point value

Basis point value measures how much monetary positions of the Bank will gain or lose for a 100 basis point (bp) movement in the yield curve in terms of fair value changes. Therefore, it quantifies the Bank's interest rate risk for small changes in interest rates.

As at 31 December 2015, BPVs for individual currencies were as follows:

MCZK Currency	Banking Book BPV	Trading book BPV
CZK	125	94
EUR	(59)	(21)
USD	(115)	(10)
RUB	1	-
JPY	-	-
KZT	-	-
UAH	-	-
GBP	-	-
VND	-	-
Total BPV (absolute)	300	125

As at 31 December 2014, BPVs for individual currencies were as follows:

MCZK Currency	Banking Book BPV	Trading book BPV
CZK	58	53
EUR	(67)	(20)
USD	(10)	(15)
RUB	(2)	(2)
JPY	-	10
KZT	-	-
UAH	-	-
GBP	-	-
VND	-	-
Total BPV (absolute)	137	101

Stress testing

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in significant currencies with respect to the Bank in related yield curves. The analysis of the Bank's sensitivity to an increase or decrease in market interest rates in terms of fair value changes (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

MCZK	2015		2014	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	121	129	148	67
Average for the period	142	124	201	181
Maximum for the period	241	217	278	278
Minimum for the period	32	29	136	67

iii) Equity risk

The equity risk is the risk of a change in the value of a financial instrument due to a change in market prices of equities or equity related instruments.

The Bank is exposed to equity risk resulting from open positions in equities or equity related instruments in accordance with the strategy approved by its Board of Directors. The Bank measures equity risk via the Value at Risk method as described above in the section Value at Risk.

iv) Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The Bank is not exposed to settlement risk as all transactions are settled as delivery against payment.

(d) Operational risk

Operational risks

The Security and Operational Risk Management Department is responsible for managing and minimising operational risks, i.e. risks resulting from losses caused by deficiencies in or failures of internal processes, the human factor or systems, or from losses caused by external factors, including legal risk.

For the purposes of operational risk, legal risk means the risk of a loss caused by a breach of laws, decrees, regulations, codes of conduct, internal policies, work procedures, and contractual obligations in force.

Operational risks usually cause an increase in the Bank's expenses, a decrease in the Bank's income, fines, penalties, damages, and loss of the Bank's tangible and intangible assets.

The Security and Operational Risk Management Department prepares operational risk management methodology, identifies, monitors, measures and assesses operational risks, and proposes measures to mitigate operational risks. Within the scope of operational risk management, it is also responsible for the information system security management system and monitors, measures and assesses information security, prepares methodology for the management of this security and organises operational risk training for Security and Operational Risk Management Department personnel. It is also in charge of coordinating tasks to implement corrective action. The Security and Operational Risk Management Department coordinates measures proposed to avoid risks, accept them, mitigate them or terminate the activities associated with operational risks, and in doing so actively cooperates with the relevant departments of the Bank.

The manager or employee in charge of managing operational risks within a division or department, after identifying an operational risk, proposes and arranges for the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk. In connection with this procedure, the Bank manages the access of employees, clients and other authorised persons to tangible and intangible assets, and manages risk stemming from the arrangement of supplies of banking services, the launch of new products, the use of outsourcing by the Bank, etc. When proposing measures to mitigate operational risk, the Bank assesses their impact on its expenses and income.

Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability and interpretation of legal acts, contracts, and legal regulations.

The Compliance Department manages the risks of legal or regulatory sanctions, financial losses and loss of good reputation which the Bank may suffer as a result of its failure to comply with legal regulations in force, regulatory requirements, implementing regulations, internal policies and usage.

The Compliance Department performs activities whose purpose is to harmonise the Bank's internal policies and processes with external regulations, to establish preconditions for such harmonisation, to establish preconditions for the fair provision of services to customers and to refrain from giving preferential treatment to the Bank and its employees compared to customers, to prevent any conflict of interest, and to mitigate acts which would result in a breach of market transparency. It also performs and controls activities in anti-money laundering and the countering of terrorist financing (AML-CFT), and handles claims and complaints.

The Compliance Department acts as coordinator in those cases where it does not perform compliance activities directly, but delegates them to another department of the Bank.

The Bank's managers are responsible for creating conditions for adherence to external regulations. They are also responsible for issuing internal policies governing the activities they are in charge of and are obliged to check whether external regulations and internal policies are observed by their subordinates.

(e) Capital management

Regulatory capital

The Bank's lead regulator, the Czech National Bank, sets and monitors the capital requirements of the Bank. The Bank and individual banking operations are directly supervised by local regulators. As capital regulatory requirements are set only for the Bank, the structure of Tier 1 capital and Tier 2 capital is set only for the Bank.

In the implementation of current capital requirements, the Czech National Bank requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, statutory reserve funds and retained earnings after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of business. The impact of the level of capital on the shareholders' return is also considered and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's reconciliation between regulatory capital and equity calculated was as follows:

MCZK	Regulatory capital	Equity
At 31 December 2015		
Issued capital	769	769
Share premium	412	412
Retained earnings	4,479	5,655
Other comprehensive income	298	471
Other reserves	-	-
Less value adjustment due to the requirements for prudent valuation	(48)	-
Less intangible assets	(52)	-
Tier 1 capital	5,858	
Total Equity		7,307
Tier 2 capital		
Qualifying subordinated liabilities	1,390	
Total regulatory capital	7,248	
At 31 December 2014		
Issued capital	769	769
Share premium	412	412
Retained earnings	3,675	4,484
Other comprehensive income	-	307
Other reserves	-	-
Less value adjustment due to the requirements for prudent valuation	(53)	-
Less intangible assets	(52)	-
Tier 1 capital	4,751	
Total Equity		5,972
Tier 2 capital		
Qualifying subordinated liabilities	1,388	
Total regulatory capital	6,139	

Capital adequacy ratios are following:

%	2015	2014
Tier 1 common capital ratio	11.85%	11.03%
Tier 1 capital ratio	11.85%	11.03%
Total capital ratio	14.66%	14.25%

Exposures and capital requirements for credit risk related to the following institutions:

MCZK	Exposure	Capital requirement
At 31 December 2015		
Central government	184	15
Local government	3	-
Institutions	3,878	310
Businesses	27,079	2,166
Retail sector	2,759	221
Exposures pledged by properties	190	15
Exposures in default	212	17
High risk exposures	1,859	149
Collective investments	4	-
Equities	111	9
Other exposures	449	36
Total	37,060	2,938
At 31 December 2014		
Institutions	5,888	471
Businesses	14,217	1,137
Retail sector	3,953	316
Exposures pledged by properties	104	8
Exposures in default	828	66
High risk exposures	4,192	335
Collective investments	7	1
Equities	555	44
Other exposures	512	41
Total	30,256	2,420

MCZK	2015	2014
Capital requirements for credit risk	2,938	2,420
Capital requirements for market risks	463	530
- for general interest rate risks of trading portfolio	375	508
- for general equity risks of trading portfolio	50	-
- for foreign exchange risks	38	22
Capital requirements for settlement risks	-	-
Capital requirements for operational risks	476	425
Capital requirements for credit valuation adjustment risk	79	72
Total	3,956	3,447

The regulatory agencies require each bank or banking group:

- a. to hold a minimum level of registered capital (MCZK 500), and
- b. to maintain a ratio of capital to risk-weighted assets:
 1. a ratio of equity CET 1 capital of at least 4.5%
 2. a ratio of Tier 1 capital of at least 6%
 3. a ratio of total capital (Tier 1 and Tier 2) of at least 8%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by the Bank's Credit Committee or ALCO as appropriate.

(f) Components of cash flow statement

Cash and cash equivalents include cash in hand and account balances with the Czech National Bank, treasury bills with residual maturity up to three months and nostro account balances with financial institutions. Statutory minimum reserves are not included as cash equivalents in the cash flow statement due to their limited availability.

MCZK	2015	2014
Cash on hand	59	65
Unrestricted balances with the central bank	30,200	25,500
Nostro account balances	1,181	406
Repo with the central bank	-	4,700
Total	31,440	30,671

41. Related party transactions

The Bank's parent is PPF Financial Holdings B.V. The ultimate controlling entity is PPF Group N.V.

The Bank has a related party relationship with its parent company, PPF Financial Holdings B.V., and with its subsidiaries and associates.

The Bank also has related party relationships with its directors and executives, and enterprises with which it has key members of management in common.

All transactions with related parties were concluded under arm's-length conditions.

(a) Transactions with the parent company

The balances below are included in the statement of financial position and comprise transactions with the parent company:

	2015 MCZK*	2014 MCZK**
Deposits from customers	(3,184)	(20,215)
Trading liabilities	-	(2)
Subordinated liabilities	-	(663)
Total	(3,184)	(20,880)

* Balances with PPF Financial Holdings B.V. as at 31 December 2015

** Balances with PPF Group N.V. as at 31 December 2015

As at 30 June 2015, shares totalling 92.96% of the Bank's voting rights were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

The Bank neither accepted nor provided guarantees related to the above mentioned transactions.

(a) Transaction with the parent company

The figures below are included in the statement of comprehensive income and comprise transactions with the parent company:

	2015 MCZK*	2015 MCZK**	2014 MCZK
Interest expense and similar charges	-	(55)	(135)
Fee and commission income	-	1	1
Net trading income	-	(1)	240
Total	-	(55)	106

Note:

(*) Transactions with PPF Financial Holdings B.V. for the period from 1 July 2015 to 31 December 2015

(**) Transactions with PPF Group N.V. for the period from 1 January 2015 to 30 June 2015

(b) Transactions with other related parties

The balances below are included in the statement of financial position and comprise transactions with other related parties:

MCZK	2015	2014
Cash and balances with the central bank	5	-
Trading assets	573	757
Financial assets available for sale	2,079	1,706
Loans and advances to banks	51	2,058
Loans and advances to customers	2,555	240
Other assets	8	-
Deposits from customers	(4,947)	(11,713)
Deposits from banks	(379)	(548)
Trading liabilities	(332)	(606)
Debt securities issued	(333)	-
Other liabilities	(3,038)	(203)
Total	(3,758)	(8,309)

In 2015 the Bank provided a guarantee amounting to MCZK 8 (2014: MCZK 12). It accepted no guarantee related to the above mentioned transactions in the years 2015 and 2014.

The figures below are included in the statement of comprehensive income and comprise transactions with other related parties:

MCZK	2015	2014
Interest expense and similar income	357	139
Interest expense and similar charges	(19)	(15)
Fee and commission income	49	90
Fee and commission expense	-	(1)
Net trading income	415	(286)
Net impairment losses on financial assets	(41)	-
Other operating income	-	1
General administrative expenses	(111)	(131)
Total	650	(203)

(c) Supervisory Board members, directors and executives

The balances below are included in the statement of financial position and comprise transactions with Supervisory Board members, directors and executives:

MCZK	Board of Directors		Supervisory Board		Executives	
	2015	2014	2015	2014	2015	2014
Loans and advances to customers	-	-	-	-	-	-
Trading assets	-	-	-	12	-	-
Deposits from customers	(13)	(10)	(21)	(208)	(6)	(5)

The above payables consist mainly of term deposits and balances of current accounts with the Bank.

The above receivables consist of positive values of derivatives.

The Bank did not report related expenses and income for its Supervisory Board members, directors and executives as at 31 December 2015 and 2014; these figures are considered to be immaterial.

(d) Off-balance sheet items

As at 31 December 2015, the Bank provided credit commitments to related parties of MCZK 0 (2014: MCZK 614) and guarantees in the amount of MCZK 0 (2014: MCZK 12) as related party transactions.

42. Subsequent events

There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes thereto.

17 March 2016

Individual responsible for accounting:



Růžena Šuserová

Individual responsible for financial statements:

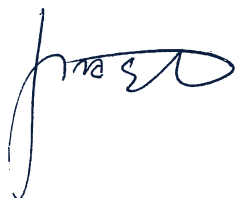


Miroslav Hudec

Data on Persons Responsible for the Annual Report and Examination of the Financial Statements

Affirmation

I declare that data given in the presentation part of the Annual Report of PPF banka a.s. for 2015 reflect reality and no material circumstances have been neglected or distorted.



Petr Jirásko
Chairman of the Board of Directors

I declare that data given in the presentation part of the Annual Report of PPF banka a.s. for 2015 reflect reality and no material circumstances have been neglected or distorted.



Miroslav Hudec
Financial Management Division Director

Prague, 11 April 2016

Contact Details

PPF banka a.s.

Evropská 2690/17

160 41 Prague 6

Czech Republic

Company No: 47116129

Tax Reg. No.: CZ47116129

Recorded in the Commercial Register maintained by the Regional Court in Prague, under File No. B 1834

Tel.: +420 224 175 888

Fax: +420 224 175 980

E-mail: info@ppfbanka.cz

Telex: +420 212 1515 PM BD C

SWIFT CODE: PMBP CZ PP

Internet: www.ppfbanka.cz

Annual Report 2015

© PPF banka a.s. 2016

Consulting and production: Monolake s.r.o.

Design: Studio Najbrt

